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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

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## USSR REPORT

### CONSUMER GOODS AND DOMESTIC TRADE

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## HOUSING AND PERSONAL SERVICES

### UTILITY OF SMALL-SCALE CONSUMER SERVICES DISCUSSED

Moscow PRAVDA in Russian 14 Jun 86 p 2

[Article by M. Roze, candidate in economical sciences, and V. Ratmirov, economist: "Under the Guise of Services"]

[Excerpts] The CPSU Central Committee resolution on the work of the RSFSR Minbyt Ministry of Consumer Services on transferring the sector over to new methods of economic management, adopted in January of 1986, noted that the introduction of the new economic management mechanism still does not have the necessary impact on improving the quality of work and expanding services to the population. Therefore, the central economic ministries and departments have been assigned the task of developing measures for further improving the mechanism of economic management in consumer services.

The published article tells of some of the questions associated with solving this problem.

Do you know what portion of the family budget we spent on payment for consumer services? Only slightly more than 2 percent. Yet these services are the most basic ones.

Is it that people have already had enough of the "gifts of service"? If only that were the case! According to the figures of sociologists, consumer service today satisfies only around 40 percent of the public's solvent demand for these services, and as for housing repair, the figure here is even lower--27 percent. All the rest either do it themselves or utilize the services of private parties.

Two percent of the expenditures... Yet, in analyzing this indicator, we are sadly convinced that it is not even 2 percent. Yes, yes--the enterprises of the ministries of consumer services in reality give us fewer services than are shown in their reports. This is because the shown (and already small!) percentages also include work paid for by state organizations. And...different goods. And what about the volume of services paid for by the population? Remarkable as it may seem, it too includes these same goods. It turns out that

the departments called upon to correct the existing imbalance in spending the family budget in reality make it worse.

For example, many people have had occasion to observe such a picture. Vans marked with the letters "SB" (consumer services) stop at train stations, markets, tourist bases, and often near department stores. Enterprising service experts begin the sale of skirts and robes, boots and tricot blouses, fur caps and synthetic fur coats, various haberdasher's and other goods. The trade is brisk. Later, the rubles obtained for all this show up in the reports as sums paid for services rendered.

How is this? Why is it that consumer service, which is called upon to sew and repair "by order" openly infringes on another sphere--that of trade? In some places (in the capital's Vnukovo airport, for example), consumer services have opened up their own trade kiosks whose salesladies don't even know that they aren't really salesladies, but goods examiners, and instead of offering us embroidered aprons, robes and calendars, they should be taking individual orders for consumer services.

In order to explain this anomaly, let us go back 13-14 years. It was then, in 1972, that a new concept was born: "small batches of products". It was introduced with the best of intentions, to give service experts something to do during the off-season "drop" in orders. It is true that this permission was accompanied by a number of stipulations: the measure was taken as an exception, the "small batches" were not to be manufactured at the detriment of fulfilling individual orders, and the products themselves had to be made only according to those refined and original models which were intended for individual clients.

Yet this temporary guest, who had been let into the sphere of services with conditions and precautions, began to show his power ever more. Mass and series production, which the small batches essentially became, went out of control, engulfed individual orders, and flooded the market with products which were "in short supply" in name, but often of low quality. At the same time, in 1980 the ministries of consumer services obtained from the USSR Gosplan (State Planning Committee) and the USSR TsSU (Central Statistical Administration) a separate graph, after which small batches began to be freely included in the volume of consumer services on par with individual orders. In some oblasts of the RSFSR and in other union republics the portion of these goods reached 80, 90 and even 100 percent of the volume of services for manufacture of footwear, furniture, tricot and other products.

Was this profitable? No, on the contrary, the state bears a considerable loss. First of all, the labor expenditures for manufacturing products under conditions of consumer service are 3-4 times higher than in the industrial enterprises. Secondly, raw materials which are in extremely short supply (leather, wool, fur, fabrics, wood) are in many cases expended according to the standards set not for series production, but for the fulfillment of troublesome individual orders. Thirdly, without a stationary network of trade centers, consumer service takes the products to receiving points and salons, and sometimes even to neighboring oblasts and republics, adding hefty transport expenditures onto their production costs.

As a result of all this, the state budget annually under-receives tens of millions of rubles.

But maybe this practice is in the public interest? After all, its proponents say: "Consumer service fills a deficit which still exists in trade."

Let us see. Alas, the shortage still exists, but would any of us buy a jacket which had one sleeve shorter than the other "in the Raykin manner", or with the sleeves sewn in so that they lift up together with the coat tails? We exaggerate somewhat, but something similar to this is actually happening in consumer services. Due to the poor quality of products, the organs of Gosstandart (State Committee for Standards), for example, at 52 out of 68 enterprises which they investigated in the sector in RSFSR in 1984, prohibited the sale of 100 (a hundred!) percent of the furniture, 68 percent of the tricot goods, and 48 percent of the sewn goods.

On the other hand, over 70 percent of the volume of consumer services in rural areas were generally comprised of income from the sale of goods: clothing, footwear, furniture, and tricot goods. All of this was instead of household aid to the consumer.

Finally, there is the strictly legal aspect. It is that if a product is manufactured at the individual order of a citizen (as a fulfillment of a contract order), this is a consumer service. If, however, a pre-made product is sold to any unspecified buyer, this is a trade transaction which is regulated by the buyer-seller agreement. Consequently, equating small batches of ready-made goods to consumer services also has no legal basis.

Is a battle being waged against the unjustifiably expanded small batches? Formally--yes.

In 1983, at the direction of the RSFSR Council of Ministers, the Gosplan and republic's Minbyt adopted the decision--to recommend to their local organs that in 1985 they bring the relative share of small batches in the volume of services to 25 percent for tricot goods and furniture and to 30 percent for footwear. But 3 years pass, and a new document is issued. It is dated 3 February 1986 and signed by the USSR Gosplan Deputy Chairman A. Ya. Yefimov and USSR TsSU Deputy Chief V. I. Guryev. It is addressed to all the Councils of Ministers of the union and autonomous republics, the krayispolkoms and oblispolkoms, and the planning and other organs. What does it say? We simply cannot believe our eyes. It is proposed that the volumes of small batches be "significantly" reduced. Starting in 1986 the share in the sale of these same types of products should be reduced to 25-30 percent...in the year 1990. That which the consumer services enterprises were to accomplish at least by 1985 has now been put off for the entire 12th Five-Year Plan.

But after all, is it the figures that are important? The fact of the matter is that the faulty methods of "cauldron" planning and accounting of the volume of consumer services have migrated over into the economic experiment and into the new conditions of economic management under which the entire system of consumer services is currently operating. The reporting, after all, is for

the same volume! And since this is the case, any restrictive document essentially becomes a game: "Of course, you should render services to the public, but we won't ask you to account for them, but rather for the overall income which you will receive from the population." What is left for the enterprises? To follow the rules of the game. To pretend that they are following the directives, but in fact to continue their trade.

So what do we need in order to return to consumer service its true function--to facilitate the domestic needs of the people and to conserve their free time?

First of all, the primary evaluative indicator of operation must become the volume of actual consumer services paid for by the population. It should be isolated from series produced goods, "accompanying" and other types of production manufactured without preliminary orders placed by the public. The summary indicator of work by the consumer service enterprises must be called by its own name--"the overall volume of services, work and production."

Furthermore, large specialized subdivisions of consumer services which today fulfill functions not inherent to them--sew footwear, weave tricot goods, manufacture furniture on the order of mass production--should be handed over respectively to the system of light, local or woodworking industry. Both the state and the public would profit from this. The quality of the goods would improve and their production cost would be reduced. And possibly, their quantity might increase.

Thirdly, we are not against "small batches." In principle, the off-season and the drop in orders is an objective factor. However, the volume of such products must strictly correspond to the relative share of unfilled orders, and this, according to the computations of economists, is about 10-15 percent of the annual amount of individual orders. At the same time, "small batches" should not be called "services," but rather should be included in the plan for supply of consumer goods--in the order established for other sectors of the national economy, and handed over for sale in the retail trade network.

12322  
CSO: 1827/126

CONSUMER SECTOR POLICY AND ECONOMICS

KLUYEV, YEFIMOV ADDRESS COMMISSION ON TRADE, SERVICES

Moscow IZVESTIYA in Russian 3 Jun 86 p 2

[Article by V. Romanyuk: "Goods and Services--In Every Home"]

[Text] The preparatory commission on goods and services, formed by the permanent commissions of the USSR Supreme Soviet chambers reviewed the indicators of the State Plan for Economic and Social Development of the USSR for 1986-1990 in light industry, in sectors producing goods of cultural-domestic function, as well as in trade and the sphere of services. The exactingness with which the deputies analyzed every line of the proposed outlines was dictated by the fact that, beginning with the 12th Five-Year Plan, the national economic plans for the first time contain an independent section on goods and services.

And here are the first conclusions of the deputies. Although the quantitative indicators of the plan outline sound rather optimistic, nevertheless the solvent demand of the population for many groups of goods will not be fully satisfied.

Minister of Light Industry V. G. Klyuyev told how the sector is being re-organized so as to radically improve its operation. However, the deputies who spoke in the course of the discussion on this question cited numerous instances testifying to the fact that the demands of various population groups for high quality goods are not being fully met.

"It gets very hot in our republic," says brigade leader of the cotton raising brigade at the Kolkhoz imeni 20th CPSU Congress in Chardzhou Oblast, Deputy Sh. R. Ergeshova. "And often we have to work either in rubber footwear or in house slippers. When will our farm workers finally get some comfortable textile footwear?"

V. G. Klyuyev: "By the end of the five-year plan, we will bring the output of textile footwear to 100 million pairs. We will fully meet the trade orders. On the whole, the output of footwear over the five-year plan will increase by more than one-fourth, 2.3 times more sports footwear will be produced, and 3 times more walking shoes."

"But perhaps we shouldn't go after quantity, but rather concentrate on quality?" intercedes First Secretary of the Khmelnitskiy Obkom and Ukrainian Communist Party Preparatory Commission Chairman V. G. Dikusarov.

"We have not yet attained rational standards of consumption," shrugs USSR Gosplan Section Chief N. Ye. Smetanin. "We need to provide quantity as well."

During the break between the meetings, Deputy I. P. Kalinina, director of the Siberian Scientific-Research Institute on Horticulture imeni M. A. Lisavenko approached the director.

"Vladimir Grigoryevich, look at the heel-strap sandals I bought in Moscow," she said, showing him the shoes. They are manufactured by the "Voskhod" factory. They are of very mediocre quality, although they cost 38 rubles. One cannot get pretty shoes. The ones they have on the store shelves are stiff and crude..."

Obviously, the discussion of light industry was not limited to footwear alone. A weaver at the Tricot-Haberdashery Association imeni M. Melnikayte in the Lithuanian SSR, Deputy R. Yu. Matulyauskene, acutely posed the question regarding the necessity of speedy reconstruction of enterprises in light industry. The factory at which she works is considered a leading one. But it is becoming ever more difficult for the collective to turn out high quality products since their equipment is outdated.

"Yes, our products are in demand for the time being," says Rimute Yuozovna. "But we want to move ahead and to assimilate modern goods."

V. G. Klyuyev: "The problem really is an acute one. According to the data of the last certification, only 20 percent of the sector's equipment meets the current level. Minlegpishchemash (Ministry of Machine Building for Light and Food Industry and Household Appliances) is extremely slow in developing new technology which would answer the demands of the times. Sometimes we simply have to reject machines which essentially reflect by-gone days."

To assure a better balance in monetary income and expenditures of the population, the 12th Five-Year Plan provides for a high rate of growth in production of an entire series of products of cultural-household function--clocks, washing machines, tape recorders, and electric vacuum cleaners. It would seem that the production of video recorders began quite recently, but by the end of the five-year plan the annual volume of their production will already comprise 200,000 units. Computers and time-saving microwave ovens will appear in the home.

On the whole, however, there is no significant growth in the production of items which are needed in the home. The per capita supply of such technically complex products as sewing machines, refrigerators, and washing machines will remain at practically the same level. The development of principally new household machines and appliances has also extremely lagged behind. The assimilation of such original innovations as the flat-screen pocket television, the personal electronic computer, and the programmable video game has been put off to the very end of the five-year plan.

"What is being done to increase the interest of local organs in increasing the production of consumer goods?" asks Chairman of the Sverdlovsk Oblispolkom, Deputy O. I. Lobov, of USSR Gosplan Section Chief N. Ye. Smetanin.

"The products manufactured on site," says the latter, "are intended primarily for supplying the region's population."

"That is not quite the case," objects O. I. Lobov. "The USSR Gosplan and the USSR Ministry of Trade often artificially create a shortage. Our "Uralmash" Plant has brought the output of "Malyutka" washing machines up to 300,000 a year. However, they cannot be purchased in Sverdlovsk. Only 5 percent are allocated for local consumption. Similar products are shipped in from other regions, but are of lower quality.

So what awaits us on the store shelves in the 12th Five-Year Plan? 92.5 billion rubles--that is the projected increase in goods turnover. As USSR Gosplan Deputy Chairman A. Ya. Yefimov reported, in accordance with the trade orders, deliveries will be increased on clothing made of fashionable blend, fleece, waterproof and lightweight fabrics, pressure-molded footwear, and high-fashion products. But how realistic is such a high pace?

"The plan for commodity turnover for 1987 is to be fulfilled without an increase in commodity reserves," notes Deputy N. P. Rybintseva, laboratory technician at the Kokchetavskiy Dining Hall and Restaurant Trust. "Then what will the 25,000 new stores which are planned to open going to sell?"

A. Ya. Yefimov: "In the last five-year plan the commodity reserves grew twice as fast as the commodity turnover. This is why such a decision was made."

"In the current year the deliveries of high quality raw materials are being reduced," continues Deputy R. G. Roshchinskaya, director of the Novocherkassk Sewing Factory. "How is the USSR Gosplan going to bring the plan indicators of industry and trade into line with each other?"

A. Ya. Yefimov: "Domestic raw materials are available. It is true, however, that they require additional labor expenditures for processing."

"The representatives of the USSR Gosplan state that the plan is balanced with intensity," states First USSR Deputy Minister of Trade P. D. Kondrashov, rising to his feet. "I would like to clarify one point: "intensity" is figured in billions of rubles per year. We are being criticized for above-norm reserves. But half of them are comprised of jewelry goods, crystal and rugs."

The deputy members of the joint preparatory commission listen attentively to the arguments of the speakers and try to clarify their positions in greater detail. The deputies have at their disposal the materials presented by the USSR Committee of People's Control and the Ministry of Finance, as well as the results of the deputies' investigations. These clearly show such a phenomenon as a slowdown in the turnover of reserves in the wholesale and retail trade network. This means that you and I have begun to buy fewer goods than are being produced.

One of the reasons for this is the fact that the wholesale sector weakly affects the formulation of the product assortment and poorly maneuvers the resources. Convincing facts confirming this conclusion were presented by

First Secretary of the CPSU Karachayev-Cherkesskiy Obkom, Deputy A. A. Inzhievskiy. Some trade organizations place orders which are not well thought out. This increases the accumulation of goods which do not sell very well. Thus, the "Kaztorgodezhda" wholesale base ordered a large shipment of men's coats made of fake fur, which were not in popular demand. As a result of this, today there are over a million rubles worth of these coats sitting in the warehouses. It is also difficult to understand the position of the managers at the Izyumskiy inter-rayon base of the Kharkov Oblpotrebsoyuz. Having enough wool kerchiefs on hand to sell for 5 years, they ordered more, just in case so to speak. This same base, having a considerable reserve of cotton thread, ordered 100,000 more rubles worth--this is enough to last at least another decade!

"We can cite many more such examples," concludes A. A. Inzhievskiy. "It is no wonder that the volume of goods which do not sell has doubled in the country during the past five-year period. In Uzbekistan it has increased by 4.5 times, in Moldavia--by 5.5, and in Tadzhikistan--by 6 times! And we are speaking, comrade Kondrashov, not about crystal and rugs, but about such items as sewn goods, haberdashery goods, and footwear."

Of course, industry bears a certain portion of the responsibility for the state of affairs in trade. The quality of a number of products has deteriorated. There are twice as many defective products in textile haberdashery goods and washing machines. Almost half of all the baby carriages manufactured are defective...The solution to this problem lies in organizing state approval of production by the Gosstandart organs.

Much remains to be done in order to improve trade in rural areas. USSR Tsentralsoyuz Chairman M. P. Trunov stated that inter-republic trade is hindered due to the shortage of refrigerators and other types of specialized transport. This causes distortions in prices at the markets, spoilage of goods in some places, and shortages in others.

The question of developing the sphere of services was also examined. On the whole, over the five-year plan the volume of these services should increase by 1.5 times. In rural areas, the services on repair and construction of housing, household structures and garages will triple. For the first time, assignments have been set for these types of services not only for the republic Minbyt (Ministry of Consumer Services), but also for the construction ministries and other sectors having subsidiary construction organizations.

At times the discussion took on a rather sharp character. Thus, the report presented by USSR Deputy Minister of Construction A. M. Yakovlev, which was favorable in tone, was cut short by a direct question posed by V. G. Dikusarov, chairman of the preparatory commission. Why are the plans not being fulfilled at the facilities in the sphere of services, which comprise 0.1 percent in the overall volume of capital investments throughout the ministry? After all, these construction sites are fully provided with both material and labor resources.

A. M. Yakovlev: "There has not been a case where Soviet organs on site have asked that a House of Consumer Services be introduced, and we have objected."

V. G. Dikusarov: "The materials which the commission has at its disposal indicate just the opposite. At the construction of the Ulyanovsk Dry Cleaning and Dying Factory last year you assimilated only 79,000 rubles out of 300,000. If we take the direct services which you render to the public, they comprise 47 rubles worth for each worker in the sector. In the Ministry of Industrial Construction they comprise 74 rubles, and in the Ministry of Construction of Heavy Industry Enterprises they are 82 rubles. Such a gap reflects your attitude towards the matter and the level of re-organization taking place within the ministry."

Minister of the Communications Equipment Industry E. K. Pervyshin reported that the sector takes in all the television sets manufactured by the sector in for company servicing. The minister expressed the following proposal. Every two out of five stores selling televisions should be equipped with shops performing warranty servicing.

Deputy V. F. Popov, chairman of the "Rossiya" kolkhoz in Kalachevskiy rayon of Volgograd Oblast noted that the necessary measures are not being taken in the sectors to attract pensioners, students and housewives for part-time work. The USSR Goskomtrud must speed up the resolution of the question of attracting additional workers to this sphere who hold more than one job.

The commission meeting stressed the need for increasing the activity of the local Soviets in coordinating the work of all enterprises and organizations--regardless of their appurtenance--on developing the production of consumer goods and the sphere of services.

12322  
CSO: 1827/125

## CONSUMER SECTOR POLICY AND ECONOMICS

### TSENTROSOYUZ DEPUTY CHAIRMAN ON TRADE NETWORK CHANGES

Moscow TRUD in Russian 29 May 86 p 3

[Interview with Aleksey Grigoryevich Yashin, 1st dep chmn, Board, Tsentrrosoyuz [Central Union of Consumer Societies], on the integrated program for the development of urban cooperative trade, by S. Tarancv; the interview took place on an unspecified date in Moscow]

[Text] The Central Union of Consumers' Cooperatives has adopted an integrated program for the development of urban cooperative trade. Its goal is to substantially increase the flow of agricultural products to cities and workers' settlements and thereby to promote the lowering of prices in consumer cooperative markets and stores. A. G. Yashin, first deputy chairman of the Tsentrrosoyuz Board, discusses ways of implementing this program in a talk with a TRUD correspondent.

[Question] Aleksey Grigoryevich, it would be hard to find a family that did not do a certain amount of its food shopping in the market. Some drop in from time to time, while others are regular customers. They may complain about the rising prices and haggle a bit, but they buy because the quality is high. But these are personal impressions. How does the market look through the mirror of statistics?

[Answer] Let's begin with a few figures. In 1970, we spent about 4.5 billion rubles in the market; today we spend almost twice as much. However, during these years, products have been added in a far smaller proportion. Thus, one must pay "more generously" for them...

There are many reasons for them, not the least of which is the population's rising income. Nevertheless, the heart of the problem lies in improving and developing state and cooperative trade more energetically. Measures contained in the latest party and government decrees on the agro-industrial complex are intended to correct the situation. They assign a prominent role to the cooperatives, which must become enterprising procurement agencies and energetic vendors of agricultural products.

[Question] What has been the hindrance in the past? There are cooperative stores, stalls and booths at many markets throughout the nation...

[Answer] In order that my answer would be more comprehensible, I will describe a typical situation to you. The watermelon season is at the end of the summer. A resident of Kazakhstan, for example, where the "gifts of the land" are cheap and abundant, hauls watermelon to Novosibirsk, where the price of a kilogram of watermelon is six or seven times higher. Why then, one asks, do the cooperatives not organize trade [in watermelon] on the Ob? Because we do not have the right to do so!

In practice, the situation was as follows: we could haul commodities to market only after we had fulfilled our quota for deliveries to the state. I remind you that cooperatives purchase only surpluses from kolkhozes and sovkhozes and then only after they in turn have settled accounts with the state. But all of them do not by any means have surpluses. This is why we have to deliver to gosfondy [state stocks] products we have purchased from citizens' personal plots. When the countryside's performance vis-a-vis plan indicators is tallied at the end of the season, we often are left without anything to trade with.

Under conditions in which there is still no abundance of agricultural products, potrebsoyuz's essentially played the part of a state procurement agency. Commercial trade was pushed into a secondary position. Last year, we purchased 4 million tons of potatoes from the population, but fewer than 300,000 tons reached the markets. How one dictate prices here if this quantity is less than 10 percent of the amount sold in the market by private persons? I foresee a logical question: is it so bad if the potatoes procured by cooperatives reach the counters of state stores? But they are delivered there over a difficult road that includes vegetable depots [ovoshchnyye bazy] and numerous trans-shipments.

I believe that there will be a radical change in the situation in the near future. The contribution of consumers' societies to commercial trade in cities and workers' settlements will grow already by the end of the current five-year plan. This year alone, two-three times more potatoes will be sold than last year.

[Question] Where will the additional commodities come from? Will this not merely take the form of the transfer of products from the counters of state stores to the shelves of cooperative stores?

[Answer] In no way! The guarantee is the new economic mechanism underlying the operation of agricultural enterprises. Only stable indicators are planned for them. Everything that kolkhozes and sovkhozes produce in excess of these indicators can be used by them as they see fit. The same is also true of 30 percent of the planned volume of vegetables, potatoes, melons, fruit, berries, and table grapes. They are now keenly interested in increasing plan and above-plan output because they dispose of this output themselves: they may opt to sell it themselves or turn it over to the cooperatives. The latter is more convenient--after all, it is far easier for us to store, haul and sell

produce than it is for kolkhozes and sovkhozes. What is more, under the new rules, this can be done without waiting until enterprises finally settle accounts with the state.

For the first time, in contracts with suppliers we will specify the deadlines for the delivery of a given mix of products. This will enable us to compete successfully with the market not only in terms of volume but also with respect to the quality and freshness of the products. The very principle of procurement changes from taking "whatever God sends" to taking what is needed at the given time.

[Question] What is new in the interrelationships between cooperatives and the owners of personal household plots? What in general is being done to facilitate the movement of food products from the peasant's garden to the bazaar?

[Answer] There are very many unutilized reserves in this area. Of the 34 million personal household plots, 22 million produce for market. Cooperatives have concluded contracts with only 11 million plot owners. I do not deny that we are also to blame for the lack of trust in cooperatives. The situation needs to be corrected.

First of all, consumer society officials will personally make the rounds of all potential suppliers [sdatchiki]. I hope that this time they will have an easier time convincing people that it is easy and profitable to deal with us. Let us say that in contracts with citizens we assume the obligation to supply casing and guarantee the specific date when the truck will come to pick up the harvest. We can also offer a cash advance to those who so desire: 30 percent of the projected value of fruit and vegetables; 50 percent for livestock, poultry and rabbits.

In addition, there are also special benefits for active suppliers. They include giving such suppliers priority to purchase commodities that are still in short supply--construction materials, separators, cultivators, hay mowers, and mixed feed...In this area, let us adhere to a precise principle: not benefits and commodities as such, but those that promote the development of personal plots, that make the peasant's work easier.

Finally, we will for the first time begin offering incentives to suburban plot owners to grow and sell parsley, dill and various kinds of greens to us, so that a puny bunch would not be so dear at the market. There are also other ways of motivating people and farms. We hope that this entire complex of measures will permit us to purchase 8-10 million tons of food products--two times more than at present--from rural dwellers as well as from kolkhozes and sovkhozes for agreed-upon prices.

[Question] But do consumer cooperatives have enough personnel to transport, store and sell the entire mass of products in good time?

[Answer] Our program is integrated and intensive. Special cooperative trade-procurement enterprises with spacious warehouses, refrigeration plants and stores and with modern receiving points must be opened and rebuilt at markets

in the nation's large industrial centers between 1986 and 1990. Procurement points at the place of production, next to orchards, farms and fields, will help to preserve the integrity of the products. Their number will increase by 10,000 (there are presently 17,000 procurement points). Small villages and towns will be served by 50,000 new procurement agency trucks. Another innovation is cooperative mini-factories with refrigeration facilities that can store 50 tons of meat and fruit, salt and pickle food products, and produce sausages and smoked foods. By the end of the year, they will number 630; in 5 years--over 2000...

[Question] All this is in the near future. But what is happening today? Frankly, there are those who believe that the choice of products will suffer the instant the markets are turned over to the potrebsoyuz's...

[Answer] Have you visited Penza? The local authorities there several years ago turned the city market over to the cooperatives together with seven stores, refrigeration facilities, and fruit and vegetable storage facilities. A large trade-procurement center has been established so that suppliers might easily sell their products without standing behind the counters themselves. And here is the result: the share of cooperative trade comprised half of everything sold at the market and there is almost no rise in prices! For example, at the end of march, cooperative meat was 1-1.10 rubles per kilogram cheaper than "private" meat; apples--1.40 rubles cheaper; onions and cabbage--two or three times cheaper.

I hope that this will soon be the situation in many cities.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### INTEREST IN GDR ECONOMIC MODEL IN 'PRIVATE' SERVICES SECTOR

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[Article by Aleksandr Levikov: "Craft"]

[Text] 1

Our car passed a chimneysweep in Potsdam. "You're in luck," my companions said as they broke into a smile, "a good sign." He was riding a bicycle in a black suit and a tall top hat, like an English lord, and the brushes strapped onto the rack gave the appearance of a witch's broom. The kids chased after him shouting.

A dying profession? Just try to break into chimneysweeping! They don't take outsiders as apprentices, they prefer their sons and grandsons. To become skilled in chimneysweeping an apprentice must work several years, carefully mastering the techniques of the craft, and only then go to a special school, take the graduation exams, and receive his diploma. Do you suppose that he is then proclaimed to be a chimneysweep? No, they only put him on the list of candidates: stand in line and wait until a vacancy opens up. In the Potsdam district there are 152 chimneysweeps. You will not observe any shortage of personnel in the "dirtiest" profession. And in the capital of the republic you might even see the traditional soccer game between the "gentlemen of the black guild against the gentlemen of the white guild." The photographers and the journalists come, and there are about 6,000 people in the stadium. The chimneysweeps and the bakers play in their characteristic clothing, and the "black guild" takes particular delight in getting soot on the white shorts and aprons of the bakers. Who arranges these prankish competitions? Joachim Maske, first deputy chairman of the craft chamber, replies with some note of triumph:

"The head chimneysweep of the city of Berlin."

I was quite surprised. I still did not understand what high respect is reserved for the craftsmen and tradesmen here. Now I know.

What kind of holiday was this--with presentations, congratulations, and posters throughout the entire city? It was the 700th anniversary of the shoemakers of Berlin! The drawings emphasized the external changes, but the essential thing was unchanged: industry and skill.

Where were the lovers of chorus singing hurrying off to? Whom were they applauding with the zeal of cheerful fervor? A performance of the bakers' chorus established 150 years ago. It is something to think of how many tunes have come and gone on the music stand of history during that time! But the bakers sing everything, and they now have 22 groups in the competitions.

"The tailors prefer dances in ancient costumes," Maske said, "the locksmiths strive for intelligence."

Ah, that I had noticed! At an informal meeting in Potsdam a speech was delivered by a portly man of a certain age who wore a three-piece suit and had his hair done just so. He said that reason rejected the nuclear death. He quoted "Faust" from memory: "Dispel the horror from which the heart has not recovered...." He proposed a toast to the marriage between work and inspiration.

"You speak for all the world like a diplomat," I told him.

He was not flattered and responded with dignity:

"My name is Fritz Lele, I am a master locksmith and hold the honorary position of president of the cooperative."

On the facade of the Gildehaus, a medieval building in Erfurt, there are a great number of freakish figures: a woman with an umbrella, winged horses, a standard-bearer waving a weather vane instead of a pennant. The tourists poured out of buses and clicked the shutters of their cameras, but I could not tear myself away from the sign on the entrance which explained who was located on what story in the old building; the writing was accompanied by the coats of arms of the occupations--a hammer, a pair of compasses, shears.... Inside the emblems of the butchers and hairdressers, bakers and locksmiths, shoemakers and tailors, chimneysweeps and opticians are displayed before you on the oak-paneled walls. You are also shown an artistically crafted chest of drawers which a cabinetmaker submitted when he took his master's examination. And wonderful fireplaces--the art of the stovemakers. And the 400-year-old meeting room beautifully done by their ancestors where the board of the Erfurt Craft and Trade Chamber meets. This is also where the president is not ashamed to receive foreign ambassadors! They will show you all this with respect for the magical power of hands that are skilled at a craft. And when having come from a country with other traditions you become sad and become lost in thoughts before the wooden figure of the old shoemaker or the sculpture of the blacksmith, your hosts mention without any ulterior motive, as though it were nothing out of the ordinary, that the chest of drawers, for example, which we had taken such a liking to, had been made by the president of the chamber, who was a cabinetmaker. The work of the skilled people is not managed by bureaucrats, but by their colleagues.

Once you know that, you are not surprised that a museum of handicrafts is being built in the very center of the capital of the GDR, behind the Palace of the Republic, not far from the old city hall. And right near by the store of the craftsmen: a large department store where customers will see the products of the craftsmen of Berlin, their advertising prospectuses, addresses, and

telephone numbers. There are shoemakers, watchmakers, and jewelers who do work on short order.

The museum, which brings the ages together, will exhibit the tools of that distant time when barbers pulled their customers' teeth along with the tools of today's craftsmen.

#### Interview

I met Gerhard Weiss, department head of the GDR State Planning Commission, and Harald Blum, sector director of the Ministry of District-Managed Industry, on different days. But using an author's license, I have mentally placed them in one office, at one desk. The result will be a kind of triologue: two competent men from a country's central agencies and a journalist anxious to get to the bottom of things.

Weiss: In our country a craftsmen represents a special profession. Its high skill is its specific feature. It is an entire sector of the economy meeting the needs of the public.

[Question] They work in the state system of services? What in the USSR is called the consumer service department?

Blum: No, no, you do not understand. Those in national enterprises are workers. But the craftsmen are something entirely different. About 75 percent of services in our country are not done by the state, but they are rather done by the craftsmen.

[Question] Three-fourths of the services are provided by private craftsmen and tradesmen?

Weiss: That is not exactly right. Together with the cooperative members. In the GDR there are 85,000 craft establishments, about 3,000 of them cooperatives. You see, 82,000 private establishments means that we have 82,000 private craftsmen. No one can start a business without a license, that is the law. But they also have workers, 2.5 on the average, but they are allowed to have as many as 10. There are large cooperatives with 300 or 400 members, and there are also small ones with less than 10. Two craftsmen get together with their people and you have a cooperative. It is stated in the program of our party that the contribution of cooperative members will increase, but it also talks about private craftsmen and tradesmen: Their business does not contradict, but promotes better performance of the tasks of the socialist state in the sphere of services. This is the main line that has been confirmed by a number of fundamental documents. In 5 years the volume of work done by craftsmen and tradesmen has grown from 14 to 18 billion marks.

Blum: Here are the statistics. There are 159,000 craftsmen in our cooperatives. And the private establishments have more than 255,000 persons, including the craftsmen themselves, their wives, relatives, and all the workers. Within that number 146,000 are workers. They are not owners, they receive a wage. In addition, not all the craftsmen use wage labor. More than 35,000

craftsmen get along with the help of their family, especially in small cities and the country. They do emergency repairs, and they save on transportation. You do not have to go far if you have your own locksmith, baker, or shoemaker near at hand.

[Question] You mentioned the share of the state service sector: one-fourth. But by what criteria is preference given to a particular form of ownership? What is more advantageous to the public? And where is the better work done?

Weiss: We favor a wholesome rivalry. All three sectors are represented in the service sphere. There are state bread bakeries and at the same time cooperative and private bakeries. The same thing can be said of shoemakers, locksmiths, tailors, opticians, and hairdressers--you choose whomever you want. In competing with one another, they inevitably improve the general level of customer service. This is a gain to the public. Take my own case. My freezer broke down on Christmas Eve. What a tragedy! How much food has to be crammed in there for the holiday! I rang up, and 2 hours later they came and fixed it.... What are you smiling at? You suppose that they knew that I headed a department of the State Planning Commission? They had no idea. If you have to make a major outlay, to obtain equipment that is expensive and moreover imported, you would not get a private craftsman. Here you would need either a cooperative or a national enterprise. Laundries and dry cleaners, where services are rendered on a large scale with up-to-date technology are mainly state-owned in our country. But take bread. Germans have always believed that only the freshest loaf is good. We like to say: "The baker across the street," this is almost a byword.

[Question] Everything I have heard about concerns services. But can it be that the craftsmen do not make new goods?

Weiss: Yes, they do. More than that, they build cottages, garden sheds, garages, and they do house repairs. They do 8 percent of all the work, they even deliver machine parts to state enterprises. But we encourage them above all to work for the public. And that, of course, represents the lion's share for the craftsmen.

Blum: You asked about the relations among the sectors. Do you know that in our country the state pays bonuses to private bakers? Yes, yes, do not be surprised. Indeed substantial ones, twice a year. He receives a money supplement from the rayon budget for every ton of flour used for bread and rolls. It is very profitable for him to make cookies, meat pies and cakes, but we especially encourage the baking of bread and rolls....

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I shouldn't interrupt my competent interviewees at this point. I guess the reader's head is swimming with questions about tax policy, prices, the system of supply for craft and trade enterprises, the principles and structure of their management. There are some things to think about. And we will be going back to the conversation in the State Planning Commission and the ministry. But now out on the road. It is better to see once than....

The walls were papered with photographs. Fashionable beauties, children, spruce little old ladies, impressive men, fathers of families, adolescents--on the street, in the square, in cars, in the office, attending university lectures, at home.... What they all have in common is glasses. Dozens of eyes through glass. A virtual parade of frames.

Master Scherfling, optician, and his wife Rosmarie, a slender woman with large eyes and a gold chain on her snow white smock (her name was sewed onto the breast pocket, as it was on the smocks of the owner himself and all the workers), showed me their shop and production operation: automatic machines for cutting the glass, machines for rough and fine grinding.... The people working could not have been more absorbed. As we approached, the optician told them they could interrupt their work. Two or three questions--and then I felt embarrassed: These people were not accustomed to chatting while they worked. The automatic machine was turned off, that made them uneasy. But so long as a journalist had come, he had to be attended to. Scherfling invited me into his small office. Rosmarie brought coffee. I asked him to explain the entire process from the very beginning: start with the customer opening the door, coming in....

"Rosmarie meets him in the store, asks him if he would like to change frames or select new glasses...."

..."Edel greets him and fills out the form: the name and the type of sewing machine, what is wrong with it...."

..."Johanna greets him behind the counter, offers the rolls and meat pies...."

I visited the optician Hans Georg Scherfling in Berlin, and Klaus Dieter Hummel, a skilled sewing machine repairman, and Hans Georg Bayer, baker, in Erfurt. They have more in common than just two first names. And also something more than the tradition of the owner's wife being first to greet the customer with a smile.

They all have workers (the optician and baker 10 apiece, and the mechanic 3), and each of them also has an apprentice. The atmosphere of concentration is the same everywhere. There are no distractions, not a minute is lost! We were barely able to jump aside when the flushed and sweating bakers rolled briskly through with their trays on trucks. A craftsman's workers are members of the trade union, they have paid sick leave and vacation, holidays, and other social benefits guaranteed them just as at national enterprises. They receive 1,000 marks a month, and those in the sewing machine shop a bit less--800. The owner has no right to arbitrarily reduce or substantially increase their wages. The wage conditions are set forth in a contract which is cleared with the trade union.

As a rule the establishments of craftsmen have a low turnover of personnel. The optician took on Dieter Kobald and Wilfred Kapler as apprentices immediately after they finished the 10-grade school, when they were 16. And 27 years later I found them in the same place. But they have both become high-class professionals, have graduated from a 3-year school in Jena, and have

received their masters' certificates. Now they are waiting for a chance to start their own business. In Berlin there are 65 private opticians, more are not needed at present, and the capital also has a cooperative with 15 pickup stations and 5 stores of the Karl Zeiss Combine. They have to wait until one of the master craftsmen decides to sell his establishment or some other fortuitous occasion arises, like marrying the owner's daughter.

In the shop of Hummel, the sewing machine repairman, I met a man who had worked there 40 years: He was originally hired by the present owner's father. The father had inherited the establishment. The first owner was a foreman in a weapons plant, he was considered a Red agitator, they drove him out, he began to repair bicycles and sewing machines. The family business is now 60 years old, and it had been in the place where we talked since 1929. Hummel had been an apprentice to his father. "I represent the fourth generation of metal craftsmen in our family," Hummel said. "It is not such a simple matter to give that up."

It was different with the optician and the baker.

Scherfling worked as an apprentice in a private establishment and once he had learned the trade from the master, he bought equipment for 1,500 marks to start a small business of his own. You could not begin with that amount now--30 years have passed! But the state extends credit to a young master craftsman to purchase machines and tools, a stock of glass, and frames.

"Now it is not a question of money in opening your own business," Scherfling explains, "everything depends on character: Do you want to do better work and earn more? And also on luck: Is there an establishment that has become vacant?"

Bayer bought his bakery 24 years ago. He paid 54,000 marks, and now his establishment is worth 550,000; it grew several times over because of the modernization which he undertook. The store, the storeroom for flour, and a week's stocks (no sacks--it is hosed in through a hatch from flour trucks), dressing rooms, showers, dining room, a spacious workshop, a room for the workers who make the rounds at night to lie down, and housing for apprentices--all of this is located in the craftsman's own home. He also lives there on the second floor. I was invited to be a guest. The living quarters are themselves ordinary, a two-room apartment, many flowers, canaries are chirping in a cage, a candelabrum, a bar, copies of the fighting gear and weapons of the Crusaders on the wall.

"When Johanna and I fight, we take down these swords and engage in a duel, and we wipe dough on our wounds."

Hummel's sewing machine establishment is also in his own house, the one he grew up in, but he has now moved into a new development in Erfurt, and he rents out the apartments over the workshop and pays the additional tax with the proceeds. The optician rents the space for his establishment. He happened to come upon a racing bet parlor which had failed. The owner had moved out, and Scherfling took it. Now he has his store, warehouse, and shop here.

The equipment is quite decent. For example, he bought the automatic machine with a diamond for cutting lenses and rough grinding for 14,000. Usually there are some 50,000 in the stock of frames and lenses in the storeroom. This is one of the largest enterprises of its kind: 45 percent of the private opticians in Berlin work alone or with one worker.

Other private bakeries in Erfurt, there are about 40 of them in the ancient city, which also has a bakers' cooperative and two state-owned industrial-type bread bakeries, are a bit more modest than Bayer's.

By contrast with the establishments of Scherfling and Bayer, the workrooms of Hummel, the sewing machine repairman, are considered medium-sized, there are larger ones. But it is not cramped for the workers and the boss: the store, four spacious rooms, and a large basement. I counted two milling machines and two grinders, a lathe, a drill, a power saw, and all kinds of specialized tools.... How is one to account for it--about that later, we will turn our attention to the owners themselves.

All of them--the tall and athletically built 40-year-old metalworker Hummel, the optician Scherfling, who is 15 years his senior, and even the melancholy baker Bayer, whom we would judge to be of pensionable age (he is 64)--do not resemble enterprise directors, managers, or bosses. The craftsman does the same thing with his own hands as the workers in his establishment. Among the machine tools, automatic machines, and ovens he is indistinguishable from those who work for him. Nor do their wives sit idly by. Rosmarie, who used to be a cosmetician, does the buying from the supply organization, works in the optical storeroom, and waits on customers in the store. Bayer's wife Johanna sells bread and meat pies, stands behind the cash register, and she is also responsible for the kitchen--she cooks for the personnel. She and her husband get up every day at 0200 hours (she said: "At 2 in the morning," for them it is already morning!) to mix the dough. Edel Hummel takes orders, cleans up, and cooks for the staff.

"I am the cheapest cooking machine in the GDR," she laughs, referring to the fact that neither she nor her husband the master receive wages.

The owners are left "only" the income. The income is not fabulous, but rather decent, making it possible for them to travel, to raise trout on land they own in the Thuringen Forest in the case of the baker, or to raise a garden like the optician and mechanic.

"I live well," Bayer says, "but I also work 14 or 15 hours a day."

That is their general opinion.

Socialist society provides the craftsmen the opportunity to use their energies and abilities in the interest of the republic, states the program of the SEPG, and they are guaranteed state support in the constitution.

On several occasions--in 1950, 1956, 1973, and 1976--laws, ukases, and decrees were established to give incentives and at the same time to regulate the work

of craftsmen. The cooperatives and the craft chambers have their bylaws. The administration of the craft and trade establishments is decentralized, which we will be talking about in detail, and the instruments for national regulation are taxes, credit, prices, and the law.

Our protagonists--the optician, the mechanic, and the baker--pay three kinds of taxes. First of all, the sales tax. Then out of the total payroll paid to their workers "so as not to arouse the state," as we would put it. And finally the progressive tax on profit. Of course, it is no simple matter to withstand that pressure, you have to keep moving, and how! But it must be profitable if these enterprises are nevertheless developing and flourishing. The state is not losing. The means of production are financed by the craftsmen themselves, as are the supplies and intermediate products. Do you want to hire people? Alright, up to the limit of 10, but then you are to pay them a decent wage, at least as high as the guaranteed wage cleared with the trade union, and you will pay some generous taxes.

Another way is also proposed: Operate on your own without hired labor or with one worker. Then you will be subject to a different tax that is not progressive, but fixed. Try to increase your income through economy and better services, and the state will not take any more from you. A sensible flexibility.

I have said that craft work has taken on broad dimensions. This is true. But it does not mean that proportions in the GDR economy have shifted in favor of the private sector. By no means! It is true that 75 percent of services are not rendered by the state, but through cooperatives and private establishments, but at the same time the crafts and trades represent less than 4 percent of the total size of the national income. The picture is quite different: the share of nationalized property is increasing. This is understandable if we take into account that labor productivity is rising rapidly in the large combines manufacturing machines, equipment, instruments, and consumer goods. The foundation of the republic's economy is made up of large enterprises which are technically well-equipped and are independent to a considerable degree and based on thorough cost accounting (khozraschet). Centralized planning interacts with local initiative, guaranteeing the success of the principal sector of the republic's economy. Much is known in our country about the GDR's combines, they have been written about repeatedly, and they will be again. There is something to learn from them.

We ourselves had occasion to visit the "Narva" Electrical Equipment Combine, which has a labor force of 10,000 manufacturing ordinary household light bulbs and strong street lamps and light sources (infrared, ultraviolet) and equipment for control of automated processes and a large amount of other up-to-date and high-quality products sold even on the international market. I saw "Robotron"--the center of computer production in Dresden, the microtelevision set plant in Radeburg, and the shipyards in Rostock.... I know that the GDR, which is 29th in the world in its population, is among the 10 most powerful industrial states on our planet.

There are many interesting things besides the crafts and trades that are to be told about the achievements of the first socialist state on German soil. But

today that topic brought me to visit the craftsmen employed in the service sphere, and I asked myself the question: Would they have achieved such success in the economy and achieved such a high standard of living for the people if--let us assume for a moment--services had been left as an Achilles heel, giving rise to a shortage of services and dissatisfaction, irritating the people employed in the wonderfully organized state-owned combines? I assume that the answer is clear to the reader: This would have been very difficult.

An economic system is like a siphon system. The more highly developed the industrial potential, the higher the wages, and the greater the need for services. The better the services, the more time is saved for creative work, recreation and education, and ultimately all this leads to a new round of economic development. Trees cannot live without a trunk and roots, but they need the leaves and bark just as much. It is the same in the extremely complicated "man--economy--man" system. Any link that drops out undermines and holds back forward progress.

There is also another consideration--the limited nature of the state's physical resources. The money belonging to the people cannot be invested both in the truly large and in the small with the fervor of lined omnivorousness. Some things (the rendering of services is best suited to this) must be a matter for the independent activity of individuals, must be done by individuals with their own resources--those who are prepared to pay for the services and those who in rendering them would like to earn something on them. And that is the way they operate in the GDR.

Not counting a little trip to Weimar and Friedrichrod, a charming little city in the Thuringen Forest where we enjoyed a meal in a small family restaurant--I walked about Erfurt from morning to evening looking at the numerous and very colorful shops of the craftsmen. First to craftsman Karl Schmidt ("Speedy repairs of all makes of watches!"), then to Rudi Helek ("Faultless engraving work of all kinds"), then to the Langebrukkestrasse, where they offer electrical goods taken from the state on commission: standing lamps and switches, lighting fixtures and irons, bulbs and coffeemakers.... The merchant is able to sell even what goes stale in the department store. He is saved by his excellent relations with a permanent clientele who have become accustomed to buying everything here, by the readiness to remember everyone's wishes, by chinking to make a telephone call when the order has been filled, by rendering services so that you do not go away with empty hands. Often the craftsmen also sell their own products in these little stores.

Sometimes the space is rented, but usually the shops and workrooms are on the first floor of houses belonging to the craftsmen; in Erfurt a sizable portion of the housing stock is the property of private owners.

Erich Heinrich, deputy chairman of the Erfurt Economic Council (a subdivision of the local government), and Kurt Mikoleichak, president of the Craft and Trade Chamber, assured me that the high level of customer service is based not only on profit and the monetary interest in the customer. Its general high level is maintained by a tradition over many years that precludes neglect of the customer, the purchaser, the person who has placed an order. This has

come down through the generations and is already in the blood. And the public has also become accustomed to it.

Competing with one another, the three sectors of services--state, cooperative, and private--contribute to a further rise in the quality of services. If you do not want your customers to turn away from you, remember that there is somewhere they can go without you. They have enjoyed authority for years and decades. But even against that background the establishments of the craftsmen maintain their own reputation. Sometimes they achieve what I would call virtuosity in the rendering of services, as in the case of Hummel, Bayer, and Scherfling.

Incidentally, it was in the economic council that I heard the name Hummel for the first time. I was told that I should unfailingly go to see Hummel even if I were short of time; it was better to put off the other visits.

"And who is this?" I asked.

"Hummel--he is Hummel!" replied the president of the chamber, as though he were talking about a great writer and even I, a man from another country, should be ashamed not to know of Hummel. "He is a craftsman, I will tell you. He repairs sewing machines!"

I fell silent, and I admitted that I did not understand the enthusiastic intonations. So what if he does? In every city someone repairs sewing machines, makes teapots, makes keys.... What is remarkable about this mechanic? Fine, we will see....

And there is the sign over the door. Modest, no words like "speedy" or "faultless": "Master Hummel, sewing machine repairs."

While I was there they brought in a specimen--antidiluvian, even a nonspecialist could see that. The customer was short in stature, heavy although not elderly, and he triumphantly explained: a family antique that came down from his great grandmother. It seems that his grandmother still did some sewing on this machine; to be sure, he was not altogether convinced, and back in the fifties they bought a new one. They had long ago intended to throw this one out, but everyone had objected that it was an heirloom. And now that everything old had come into fashion, they wanted to restore it. Could Hummel take the order? They would not accept it in the state repair shop--they had no such parts and they said there was nowhere one could get them now.

Klaus Dieter Hummel, a tall man with short dark brown hair and an intelligent face, in a faultlessly ironed blue smock, looked at the rare specimen with interest: the machine was more than 100 years old! It was missing one-fourth of its parts.... He turned, straightened up, and said:

"Come for it the day after tomorrow."

His wife Edel wrote out the receipt. No, first she offered the customer the form with a number of questions about the make and model and what the customer

thought was wrong with it. She explained to me: This is like when you go to the doctor, the patient complains of pains in his stomach, but the trouble is with his heart. When an accurate diagnosis is made on a sewing machine, the customer will be able to evaluate the craftsman's competence.

Hummel carefully carried the museum piece away into the basement where he keeps several old machine tools just for this purpose. Otherwise they stand idle--a terrible piece of mismanagement by our likes, but it is just what this owner needs! What is important to him is the reputation of a faultless enterprise. He also uses the spare equipment to work on efficiency, and there always is a spare in case his principal machines are going through preventive maintenance. In the basement they take the machine apart to the last little screw, they check each part, clean it, oil it, and Hummel himself turns out everything that is missing, as he put it, "he will make tactical additions to the old mechanism." This is, of course, not a repair, but a rebirth from oblivion. Reanimation if the term can be used in such a case.

With his three workers and apprentice Hummel repairs home and industrial sewing machines of all classes and models, including imported ones, regardless of the country where they were made. His clients include not only individuals, but indeed entire enterprises: shoemakers, seamstresses--70 home sewing machines and about 200 industrial machines. The annual turnover is 160,000 marks. I have not mentioned the informal guarantee of quality. Although there is a formal guarantee (not in the bureaucratic sense); this craftsman's establishment is the shop for warranty repairs of the German combine "Tekstima," one Czech firm, one Hungarian firm, and even the Podolsk Machine Plant imeni M.I. Kalinin. Hummel concluded the contracts through foreign trade organizations of the GDR. What can be added to the high reputation of a craftsman?

"I have visited those countries in order to study the most recent equipment there in the production of sewing machines...."

The baker Bayer, who gets up with Johanna in the middle of the night, opens the shop at 0600 hours and works until 1800 hours; here they do not have the meal break which is customary for us. His bakery has an assortment of 134 different products! From a special bread for sick children (Bayer is the only one in Erfurt who has it) to the varieties customary in the republic. And in between there are "royal tarts" with raisins, cookies, lemon pastries, and cakes of all kinds and shapes. By 0600 hours everything is already on the counter--you see it, you buy it, and you take a taste. What is it you have a hankering for? Perhaps writing. On order Bayer will make you a cake with whatever you want written on it, even a picture of the celebrant or the bride made from cream and chocolate. It could be a three-layer cake with candles. Perhaps even something fantastical, like the one he made for an organization in Erfurt to celebrate a memorable date: a cake that was 1 meter across, with an emblem and the text of a toast! But the state does not stimulate sweets, but the baking of bread and rolls, paying the bakers a supplement for this purpose out of the budget. Although overworked, the resourceful Bayer has been successful even here: He received 20,000 marks from the state. Every day he sells 12,000 rolls and 6,000 loaves of bread. "Pastries beyond count," was the way he put it. But they can be counted in approximate terms: Every month he uses 6 tons of margarine and oils, a ton of sugar, and 12,000 eggs.

Early in the morning I recorded the voices of customers in his shop: "Are you always satisfied? Oh, yes!" "You always have what I need," "I always buy my bread and rolls here, as well as pastries when I do not make them myself," "A comparison with others? I'm afraid that would be hard for me: For many years now I have not been in any other bakery in Erfurt...." I selected a small piece of cake, and the cash register, which has a counter, gave me a number: 90,000 people in Erfurt had made purchases from Bayer that month.

"We take pains," Johanna said, "we have been working here for 20 years, and we recognize almost all the customers...."

You can go to the optician Scherfling without a prescription. Why waste the time? This skilled craftsman has taken the medical course and received a certificate entitling him to perform all the functions of measuring vision. (In addition to optician's school, he has also graduated from a financial and economic school so that he could do the bookkeeping.)

I went to the door and took a step into the showroom: I was taken for a customer.... Rosmarie came forward:

"Bitte!"

Scherfling pulled back a drape to reveal cubicles, he invited me into one of them. It was furnished like the room where they test your eyes in a polyclinic. The optician used an instrument to determine whether my eyes need treatment. Anyone who has a disease is sent to the doctor! But if it is simply a question of nearsightedness or farsightedness (even in the most complicated combinations), he handles it himself. It turned out that one of my eyes is good at a distance, the other up close. The optician wrote the prescription, and in the showroom we selected a frame. Scherfling offers 30 styles to any customer. The range from the cheapest to the most expensive is approximately 1:3. The custom is for Scherfling himself to help a lady to make a choice, while the mistress of the establishment helps a man.

"No, no, not that one," Rosmarie makes an expressive gesture, "that does not suit you, it makes you look older.... And this gives you too much the look of a student.... Just a minute, try this.... Fine! Just your style. Something along that line, but more stylish...."

If a pretty young woman says to you "sehr gut" with a smile, you do not haggle. Your hand reaches for your wallet.

"Wait!" the optician stopped me. "We have to explain that no one who lives in the GDR pays money."

He receives glasses once every 2 years gratis. The customer takes the optician's prescription (in this case his own, but in general it might be anyone) to the insurance window where he works and gets it stamped.

"For me this is the same as money," Scherfling says referring to the pile of stamped prescriptions.

At the end of the month he turns them in for payment; on the 15th the social insurance agency issues the optician a preliminary advance in the amount of 45 percent of the previous month's turnover. The most expensive frame one can get free is 33 marks; this is a good sum of money--the social insurance agency pays for one-third of all purchases from Scherfling. Of course, the customer can add money for a more stylish frame or buy an extra pair of glasses. A foreigner, of course, must pay himself. I had money, but how quickly would they fill my order? The optician looked at his watch:

"How long do you expect to spend talking to me? About an hour?"

In 45 minutes Rosmarie gave me my glasses in a leather case with two pieces of yellow flannel on which the address, telephone number, and name of the Berlin optician Scherfling were printed. A craftsman, a master at his trade.

He did, of course, hurry for me, that is clear, but any job is done in a day, usually by evening or the next day....

#### Interview

[Question] How did it come about that there are three types of ownership at the same time in the service sector? How did this occur historically, and was there a possibility in the GDR of selecting some other way, of looking, let us say, only to state service enterprises or cooperatives?

Weiss: You see, our craftsman has very old traditions. There has always been a stratum of the population engaged in this area. If you take the principal specialties in the economy, then in each of them you will find skilled craftsmen working on their own or with their colleagues in a cooperative on the basis of collective ownership.

Blum: I would like to emphasize our important constitutional principle: Above all to encourage those craftsmen who get along on their own or with their own family. The tax system, legal norms, and credit policy give them an appreciable preference over those craftsmen who hire workers. And that is why half of the craft establishments in the country do not hire people.

[Question] Do you propose to increase the volume of services which craftsmen render to the public?

Weiss: Yes, of course. Over the next 5-year period we plan a growth of 7 percent. We assume that the needs for services will grow correspondingly. To be sure, at first it seems that there is a contradiction here, especially with respect to household appliances. On the one hand we are insisting on an improvement in their quality so that there are fewer breakdowns and repairs are not so often needed, while on the other we are doing everything possible to develop and strengthen repair facilities. Is that illogical? Perhaps it is.... The formula "Quality requiring no repairs" sounds fine, but at present it is rather idyllic. Moreover, practice has brought forward a type of service which will not disappear anywhere: prevention. This is becoming the practice everywhere with respect to motor vehicles. And under our law gas

appliances are examined twice a year. One can imagine that in the future the service of preventive observation will extend very widely, and will affect refrigerators, television sets, and other present-day household appliances.

[Question] If, as you say, there are craftsmen in all specialties, then probably cooperatives are created in any profession? What is their composition?

Weiss: You are right. The craftsmen can come together on an occupational basis. That is in fact done. A cooperative can be found in practically any closely related group of specialties in our cities. The first came into being in 1952, and now there are several thousand in the GDR. The state encourages the process of establishing cooperatives.

Blum: Yes, we put emphasis on creating favorable conditions for cooperatives so that the craftsmen would move over there. The cooperatives have a more solid material base, better accommodations, more refined equipment, and they can be freer with money. That is why they can achieve high labor productivity. This is additional revenue for them. The party has assessed this process in terms of principles: A new social stratum of cooperative craftsmen has been formed. In the future this development strategy would bring the craftsmen closer to the working class. Within the cooperatives working and living conditions are created which are in principle the same as those we see at state enterprises, even though different types of ownership are involved.

[Question] Do the cooperators divide up the profits among themselves?

Blum: They realize profit, and naturally they share in its distribution. But not arbitrarily. The law states how much they can invest in their incentive funds. As we say, one must not eat everything up, one must also leave something for the development of production. The share of profit that goes to each person is approximately equal to the sum total of all bonuses at a nationally owned enterprise. Yes, that is more or less the case, but still they receive much more in the cooperatives: They also have other opportunities for work incentives....

3

A rather old and disreputable-looking Berlin house, black with dust and soot, but on the top floor one unexpectedly finds an altogether up-to-date reception room with office machines and a trained secretary. It is the office of Wilhelm Esse, chairman of the cooperative of orthopedic shoemakers, furnished like the office of executives pursuing a successful career. Esse is a man with gray hair, lively and cheerful. He dropped the remark that in the Hitler era his racial purity was in doubt and there was a measuring of skulls. I did not try to find out whether it was his skull or that of his shoemaker father or blacksmith grandfather that was measured.

Until 1957 Esse was a private craftsman, he even had 14 workers instead of 10 (4 of them were handicapped, and the "surplus" was deliberately overlooked). At that time, he explained to me, taxes "were tolerable, that is, low, the law was good for craftsmen; my handicapped men were not officially counted, but

they worked better than the able-bodied ones." The master craftsmen earn more than a minister--8,000 a month. Now Wilhelm Esse receives 1,000 marks and he has 300 people under him. He has been the chairman since 1958, reelected every year.

Why did he come here after being a private entrepreneur? Did they raise taxes? Did it become unprofitable?

"No, I wanted to see what I could do on a different scale."

Esse's shoemakers (they go by the name of their chairman) produce 34,000 pairs of shoes a year. They do shoe repairs worth 2 million marks: approximately 500,000 pairs a year. The value of just their new products is 5.5 million. As we see, Esse has managed to prove himself on a different scale. Of course, such figures were not even dreamed of before him. He himself and also his economists are very inventive. Within the framework of the production of orthopedic shoes, they have created what we would call a "consumer goods shop": They make shoes for figure skating and leather bags from scrap, in the winter-time they make inexpensive women's sandals and in the summer they sell them in their own stores; there is a great demand, especially among young people.

Esse has scattered his branch stores all over Berlin; in them there are 23 licensed master craftsmen who make wood patterns and supervise the other people. I have had a hard time getting away from our habit of using the term "master" to refer to any shoemaker, hairdresser, or tailor. No, in the GDR the term "master" is reserved for someone who has gone through a lengthy course of study and obtained his license. Patterns can be made only by a master craftsman, no one else!

They showed me a catalogue with photographs of 70 different models. For women, men, infants, young men, young women, and there were also "fashionable" styles, if one can forgive applying this word to that kind of misfortune. Yet there is no need to make apologies! I caught myself in a kind of moss-covered hypocrisy: As though the handicapped did not care what kind of shoes they wear. That is not true at all! A person wants to look good under all circumstances. Master Esse uses every opportunity to conceal or at least play down the handicap. With a prescription from a physician you can obtain shoes in the GDR once every 2 years practically for free--12 marks, and if you are retired it is only 6, 2 rubles in our money. That is a small part of the real cost. On the average a pair costs the cooperative 160 marks. The difference is paid by social insurance. The cooperative does not run into losses.

Its history is rather typical of developing cooperatives. At first, "they took on" 2 craftsmen, in a year they had been joined by 14 more. In Berlin they have competitors in yet another cooperative of orthopedic shoemakers, which has 16 craftsmen, and 7 private orthopedic enterprises. Shoes are repaired by a state combine, 6 cooperatives, and 80 independent shoemakers.

Nevertheless, Esse does not give in to the competitors. He has 3 central workshops and 10 branch stores, one of which, on Alexanderplatz, in the center of the capital, handles 2,000 fast orders a day. High-top shoes are made on the

spot by only four of them, but there is a little truck shuttling between the branches and the shop from morning to night.

The cooperative's success has nothing to do with the size of production runs, the flow, or full mechanization. Not a chance! Every specification is given for shoes for the handicapped. Every pair is different from every other pair. Of course, they do think up ways of doing some things in batches; for instance, they sew the same upper for several models, but there is a great deal of hand-work. In their precision craft you do not use every innovation. The revolution has taken place in the shoe industry--they no longer sew, but they glue, and the physicians prohibited the orthopedic shoemakers from doing this. Only recently did they manage to make the case that there was no harm, and the co-operators purchased gluing machines.

"What sense does it make for a private operator to join a cooperative?" I asked Esse.

To be frank, his story about "scale of activity" did not really convince me. He had started earning one-eighth as much! Probably the taxes became insupportable, was that so? Yet on the other hand many craftsmen were making a living with their own property. There must be some sort of springs that account for the passage from one state to the other. The chairman passed his hand through his gray hair, smoothed out the wrinkles on his sweater. He was in no hurry to answer, he was thinking. Then he said:

"One of the incentives is a more solid security and safety."

"Safety?"

"Well, reliability, confidence. That is closer to it. When you are on your own, you are subject to various winds, and they do not always fill your sails. More than that. The members of the cooperative work a shorter workday, a normal day. And these days time is money. What else? The master craftsman himself has decent earnings, but his workers receive less than in the cooperative, which means that they have a motive for coming over to us. The gravitational pull is not to his advantage, he realizes that. We distribute a portion of the profits. In December everyone receives a supplement of about 2,000 marks. (Approximately 700 rubles--A.L.) And this is entirely a voluntary matter. There are those who do not want to join the cooperative. No one is being forced."

The quality of work and deadlines for filling orders are approximately the same in all three sectors. So are the prices. The price ceiling cannot be raised. This puzzled me: How could the private craftsman have the same prices as the cooperative and the state enterprise? What could be his rationale? They explained to me that it was still profitable for him.

I went from floor to floor of the large building in which the shops of the co-operative were located. I talked with the people. There were two young women: the blond Gabriela Galchinski and the brunette Hannelora Blank. The father of the former is a private craftsman, and the latter has herself worked for a craftsman.

"It is better for us here. The work is more varied and interesting."

But their main argument is the cheerful mood in the work force and more young people. Guten Tag...danke schoen...greetings, handshakes: Of the 328 cooperative members, 290 are members of the German-Soviet Friendship Society. It is too bad that professional contacts between the Berlin orthopedic shoemakers and their counterparts in the USSR leave something to be desired.

How typical is what I saw and heard in Esse's place? In order to confirm or refute my impressions I set off for Erfurt in the foothills of the Thuringen Forest. A city of flowers with a world-renowned garden show and a cathedral associated with the name of Martin Luther, a city that inspired Schiller and Goethe, who live not far away, a city 12 centuries old whose ancient buildings bear poetic names: "Tall Lily," "Red Bull," "Wide Hearth," a city..."Erfurt? Is that where they make the Optima typewriters?" my friend asked once again. It is not only the tourist who has something to see there.

What drew me was that there are 6,300 craft and trade establishments in the Erfurt district. Most of them are owned by various craftsmen, but there are quite a few cooperative members: 12,000 persons.

I chose a cooperative for repairing radios and television sets that had recently celebrated its 25th anniversary. It is one-fifth the size of the Berlin orthopedic shoemakers, it has 58 members, and the product it handles is also different. Modern equipment, electronics. A field in which one could assume strong competition from the radio equipment industry with its warranty service centers and from the state service enterprises which--I assumed--would have a freer access to diodes and triodes: replacement parts for repairing radios, stereo radio-phonographs, and television sets.

The chairman of the cooperative Hans Zuering laid out his cards for me. Business was not bad. They earn 3 million marks repairing radios and television sets and installing antennas. Not only in the Erfurt district, but in fact throughout the republic. They even installed 1,000 user-shared television antennas on the roofs of Berlin. The cooperative was not doing bad! I perked up. Didn't they have their own skilled servicemen there? It turned out that all the districts are supporting the construction program in the capital of the state, and those 1,000 were the contribution from Erfurt. But I immediately learned that they were taking part in a contract with the USSR, were installing antennas in Krivoy Rog where an Erfurt combine was building housing, and they were helping to set up radio and TV repair workshops in Vietnam.... I distrustfully leafed through my note pad: Did they really have 58 people? Hadn't I made a mistake? They confirmed it: Out of the 58, 5 were master craftsmen, 5 engineers and economists. Every year 20,000 repairs and antennas installed for 4,500 housing units, and their trucks make 80 service calls a day.

The principle that applies to earnings here is a simple one: one-third of all the work done, value of materials not included. If you have done work for 3,000 rubles, you get 1,000, or actually a bit less net, since the tax has to be taken out. At the end of the year everyone gets another 10 percent added to his earnings from the cooperative's general profits. I had already heard about this from the shoemakers.

With a turnover of 3 million marks over the past year the net profit (after payment of 3 percent in tax) was 340,000. Another tax on profit took 145, they appropriated 90 to the industrial fund and the reserve fund, another 90 went for bonuses at the end of the year. And what was left? They spent 15,000 on one-time bonuses and for cultural purposes.

There are reasons for making an effort. The regulations require that repairs be made within 3 days, but they return the article in a day. They have organized an evening service--after working hours. And if some event is going on, say the entire world is watching the Olympics, then service is done immediately. How can you deprive a man of his pleasure?

This is what interested me: The customer calls a central switchboard serving the state enterprise for repairing radios and television sets and the four similar Erfurt cooperatives and all the others (there are now only seven) private servicemen. The compatibility and complete absence of government snobism toward the "some sort of private operators and cooperators out there" is manifested in the district's coordinating council, in which all forms of property are equal. This advisory and essentially civic association is grouped around the largest nationalized enterprise here, which makes radios and television sets. It is chaired by the director of the state plant, but he has one vote in the sessions, just as does the craftsman who does not even have anyone working for him (the latter usually make the "chief master craftsmen" they have elected their proxy). Aside from the plenary meetings, annual meetings of 120 people, there is also a presidium operating on a regular basis. They reconcile the future development of capacity of their enterprises, and they allocate spheres of influence in Erfurt and the district. Their cooperative, for example, has been given the northern section of the city. Naturally, no one goes off on his own, there are no "children of Lieutenant Schmidt." And they also discuss supply, personnel, and specialization. No one tries to swallow anyone up in this cooperation: There have not been any cases when privates dropped out of the cooperative; the quarter of a century seems in fact to have ended with a counterflow, the remaining seven craftsmen do not intend to join the cooperative, and no one is after them to do so either.

"We work an 8-hour day," the members of the cooperative told me, "but they work far more, and they like it that way--so let them have it."

In the Economic Council of the Erfurt District they emphasized once again what I had already picked up during the conversations:

"The three forms of ownership in the service sector are not interchangeable, they merely supplement one another."

The leading officials of the "R and TV" cooperative invited me to eat in a restaurant in the new Erfurt development Johannesplatz. They wanted to show me by example the good neighborly relations among the three spheres, and where better to do that than in Johannesplatz? The major center of state trade is located across from the modern low building of the hairdressers' cooperative. There is a gallery of branch stores: umbrella repair, electrical appliances, shoes, dry cleaning, hairdressers, and a great number of other services (exactly 100, to be precise!)--a large nationalized service enterprise. Just a step away in a side street are the motley signs of the craftsmen offering the same services.

The cooperative's president Hans Zuering suddenly began to talk about Kaluga during the meal: His daughter-in-law had gone to pedagogical school there. And I myself have an interest in the people of Kaluga, since I wrote a book about them.

"Is that so?! Really?!" The good-hearted Zuering looked on me with an intensity of interest deserving of a Tsiolkovskiy at the very least.

I began to inquire into the "Kaluga connection" of his relative and learned that she and her husband, the chairman's son, had been in the Pamirs. They are mountain climbers. They had flown to Moscow, and then they had gotten rides right to the Blue Mountains. They had spent several weeks among the Pamir shepherds.

"Too bad you do not have the time to pay us a visit," the chairman said with regret. "We live right near here, the cooperative installs antennas in this area."

Thus the circle was closed: Having begun my conversations in ancient Erfurt in the spirit of the "age of television," by way of Kaluga and the Pamirs I had come round again to the antenna.

#### Interview

Weiss: We have two levels of cooperation: low and higher. In the first case the means of production remain the craftsman's property, but the others can also use them. They pay the owner something for this. The other form is where the craftsman transfers his equipment to collective ownership.

Blum: The GDR has its own principles in economic policy when it comes to the craftsman. They define the direction: the road from private enterprise to cooperation, from the use of wage labor to the work of their own family, from the production of goods by craftsmen to their rendering various services, and so on. There is nothing haphazard here, the guidance is well-thought-out.

Weiss: The government exerts influence through taxes, prices, and supplies of materials. This is also our regulator. Restrictions have been provided for so that the craftsmen do not become rich at society's expense.

[Question] How are prices set? Is there a central agency which approves them?

Weiss: No, prices are set by the craftsmen themselves, but local authorities approve them. Price calculations are done from scratch for new services. The craftsman or cooperative cannot puff up prices any way they like. This is altogether precluded. The prices for the same service are the same in the state sector and for the craftsman. The craftsman gains on the basis of thrift, good workmanship, and a high level of customer service.

[Question] Are there cases when it is not profitable for the craftsman?

Weiss: Yes, for the baker, say. We adhere to a policy of low prices in the production of staple foodstuffs. In these cases the state combines receive a subsidy. Naturally, we also give it to the baker: He does not have a right to charge more.

Blum: It should be borne in mind that in the GDR almost half of all the bakery products are produced by the private bakers. And there are districts, Karl-Marx-stadt district, for example, where this goes as high as 75 percent.... We award bonuses from the district budget to private enterprises for increasing the baking of bread and rolls, but this does not mean at all that the total amount goes into the owner's pocket. He must pay a certain share of it to the workers.

Weiss: I would like to emphasize: The tasks of the service sphere could not be performed in our country without the craftsman. The state sector could not handle it. Immense investments would be required. That is why both directions need to be developed. In areas with a high level of technology business is better for the combines. On the other hand the craftsman wins out when it depends on the highest skill, that is where he wins. As for remuneration, it is approximately the same in all sectors. Of course, the craftsman himself earns far more than his workers. The task of the craftsman is not to increase the output of goods. They look to providing services, repairs. And we issue a permit for creating a private establishment only when the rendering of services is the object. In addition, of course, to the butchers and the bakers. If a private craftsman makes furniture, then let him be a master craftsman at that; this requires inputs of manual labor to meet the customer's taste.

[Question] I have seen examples of the art of your old master craftsmen. Have the traditions been maintained?

Blum: Woodcarving, the making of musical instruments, and other artistic crafts have been especially encouraged. We have an official title of master artistic craftsman. The Ministry of Culture awards the certificate to the craftsman. You have seen the restored Berlin Theater where the concert hall is now? This is the work of master artistic craftsmen. And the large fountain in Karl-Marx-Allee? This was done at one time by the craftsman Kuhne. And now his son, who inherited his father's craftsmanship, is himself doing artistic fountains in Berlin.

[Question] What does the pyramid for management of the crafts and trades look like in the GDR? What is the supreme authority? The State Planning Commission? The ministry?

Weiss: No, the State Planning Commission sets the general indicators. We cannot issue any sort of targets to the craftsmen. The district authorities manage them. The local authorities act on the basis of long-term state recommendations.

Blum: Nor does our ministry have the right to issue any sort of instructions to the establishments of the craftsmen. Only the district authorities know the need for work in the crafts and trades. They issue permits for the opening of new private establishments, they set the targets for the cooperatives. About 5 years ago in our country all the state enterprises in the service sector were also under the districts, but now combines have been formed which are managed by the next higher regional level. But we are responsible for the general direction in which the crafts and trades develop and for coordination of all matters in this sector, we prepare proposals of a juridical nature, and we monitor enforcement of legal norms.

[Question] Can the craftsmen be trade union members?

Weiss: Of course not. After all these are not workers, but a separate social group. But those who work for a wage from the owner are members of the trade union, which protects their rights. But not the master craftsmen and the members of the cooperative, they are in another organization.

[Question] Which one?

Weiss: They are members of the craft and trade chamber of their district. In our country you cannot be a craftsman without belonging to the chamber. This is mandatory. The chamber is the public body of the craftsmen themselves, it is financed with their contributions, it consults them concerning the calculation of prices and the training of personnel. It also organizes the exchange of experience, leisure, and recreation. It encourages craftsmen to move over into the cooperative, and it monitors enforcement of the law. In short, it is a crafts and trades chamber, that says it all....

[Question] And someone there gets a salary?

Weiss: Yes, there are salaried staff personnel. Sometimes 15 and in one of them even 30. Our districts vary in size. But these salaries are not paid out of the pocket of the state. The chamber's budget is made up of the deductions of the craftsmen, each one separately, and from their enterprises as a whole. It makes no difference whether they are private or cooperative. There is a chairman, a board. The bylaws of the crafts and trades chamber is standard for the entire GDR....

4

In the very old temple of the German crafts and trades, which dates back to the time of the craft guilds, we will bring our conversation to an end. I had been to three craft and trade chambers--Berlin, Potsdam, and Erfurt. And I had learned how sensibly and purposefully such a seemingly unmanageable and tireless force like the craft, gushing like a geyser, has been structured.

The principal officials of the chambers had taken me behind the scenes. They had introduced me to those who do not produce anything, do not repair anything, do not offer any sort of services to the public, but without them the work of craftsmen would be impossible.

I still have not mentioned the hairdressers in these notes, but now the time has come.

The city of Rathenow is not known for anything, this is not Dresden or Erfurt, and it is not every foreigner that has even heard of it. It is a small city, modest in its appearance, but in the republic they say proudly: "Rathenow, that means optics!" "But Jena means optics in your country, Zeiss!"--I said, not understanding. Excuse the pun, but Rathenow appears to be the leader in spectacles--the center for eyeglass optics. But the lenses do not immediately strike the pedestrian. Along the way I noticed a butcher shop that aroused the appetite, a watchmaker's sign--the hands of a woman trying to hold time back--and a private hairdresser's crowded in beside it. It was amazing that in such a small city it could exist right next to its mighty neighbor--the hairdressers' cooperative.

The cooperative came into being a quarter of a century ago. It serves 95 percent of the population of Rathenow and environs: hairdressing, cosmetics, manicures and pedicures, whatever you want. It has 23 salons and 195 members. This is now the third decade in succession that the board has been headed by its chairman Lothar Welke. He is proud that he can walk to any salon in the city, and every village has one if it has at least 300 inhabitants.

The annual turnover of the cooperative members is 3 million marks. The private beauticians also manage to render services worth 260,000 marks. And the Rathenow district has a population of only 60,000!

"You do not make money in the country," Welke says, "but even there people have to get their hair cut, we cover the losses at the expense of those in the city, every year we have 700,000 in net profit. This does not come from services alone, we also have a cosmetics trade."

The principle governing distribution of profit is simple: 60 percent tax. 40 percent remains in the cooperative. The hairdresser or barber brings in approximately 2,000 marks a month, and he himself receives 800. We should say "herself," since the salons are headed mainly by women, the men are like the 13th in a baker's dozen. The clients are steady customers, they can call the hairdresser at home, appointments are made in advance, but this is in the afternoon, while in the morning all the salons serve what is called the walk-in trade.

I learned many curious things from the hairdressers. Including the fact that in the GDR there is a central commission which once a year establishes the new style lines for men and women. And also that the contests of hairdressers are organized in an immense gymnasium and attract a public of as many as 1,200 people, and that is the district competition, but the winners are sent on to Rostock for the championship of the GDR. A national collection is also made up and is exhibited in international competitions.

"The three forms of ownership compete with one another as equals," Lothar Welke emphasized.

It turned out that he had been chairman twice. Not only in the hairdressers' cooperative, but also in the cooperative organization for supplying them.

I know how interesting the secrets of supply are to the reader. Where do the cooperatives and the private hairdressers get their equipment and supplies? Where does the private hairdresser get his scissors, hair dryers, cosmetics? Where does the private optician get his lenses and frames? Who sells him automatic diamond grinding machines? Where does the baker get his flour, his oil, his sugar, his eggs? Where are tools and replacement parts obtained to repair sewing machines, bicycles, motor vehicles, and television sets? The 85,000 craft and trade establishments, 82,000 of which are the property of the craftsmen themselves, cannot obtain everything they need on their own!

I literally pursued my subject with the questions: how, what, and where from?

"I am the chairman in one cooperative at the rayon level," Lothar Welke said smiling, "but in another one you go higher--to the district level. After all, Rathenow Rayon is part of the Potsdam district, in which 16 hairdressing cooperatives voluntarily formed a single association in March 1981 and created their own cooperative organization for supply. They worked out an agreement, they defined the mode of activity and the tasks. Perhaps we are in the initial stage of development. I am the chairman, but in our supply cooperative there is also a chief, let me introduce him to you...."

That is how I came to know Hans Schultze, energetic and well-organized, who gets around everywhere and is able to buy everything and who does not look at all like the usual type of our businesslike supplier. Schultze supplies not only the cooperatives of hairdressers, but also the private hairdressers, even the state salons. All of them! He has a warehouse and from there all the supplies flow out which the beardwackers and cosmeticians need in their business. Schultze's turnover is 750,000 marks a year: He buys under contract in the state wholesale trade network and at manufacturing enterprises, and then he sells to his customers.

"There are three of us," Schultze says. "My assistant and I buy the goods, and one of the colleagues sorts out the orders. Then I sit at the wheel and deliver everything to the salons. I do not have a driver. I myself serve the 16 cooperatives, 6 state enterprises, and all the private hairdressers."

I will mention once again the official title of his position: chief of the cooperative organization for supplying hairdressers in Potsdam district. Chief!

Cooperatives of this kind exist not only for the hairdressers, but also for the bakers, locksmiths, shoemakers, and craftsmen and tradesmen in almost all the occupations. Sectoral features are combined with regional ones: They supply the craftsmen in their own district. I should say "almost": This is something comparatively new, and in some places there are still things to be

looked into in the system of self-supply. Master Hummel, who repairs sewing machines in Erfurt, said that in their sector there were still no supply cooperatives: He organized direct contacts with the plants, and that is how he obtained his replacement parts. I also heard much the same thing in the Erfurt cooperative for repairing radios and television sets. They have a warranty contract--that is how they called it--with the television plant. And in their neighborhood there is also the central warehouse for state wholesale trade where members of the cooperative buy any parts they need, imported, Japanese, for radios and television sets. The warehouse supplies everyone: state repair, cooperatives, and private repairmen. Once again, for the umpteenth time, they emphasized in talking to me: "The partners are equal."

Ulrich Schneider, deputy chairman of the District Economic Council in Potsdam, spoke well on this subject:

"The supply cooperatives of craftsmen and tradesmen must be sensitive to untapped potential in the economy. Buy up surpluses, to take into account unused productive potential."

Gerhard Skoruppa, chairman of the Potsdam Craft and Trade Chamber, advised me to visit the supply and sales cooperative of craftsmen and tradesmen "Metall" and himself offered to take me there, since it was not far away. Along the way he explained: the voluntary associations of craftsmen and tradesmen came into being about 100 years ago.

"These were the first cooperative ideas," that was the rather forced expression he used, "we have been maintaining and developing the traditions."

Then there was coffee with the members of the board where the locksmith Fritz Lele made his intelligent speech with quotations from "Faust." Then we went to take a look.

Actually we were to look at something--the warehouse and the little offices of the specialists. And what a warehouse it was! I was not so impressed by the size or the cleanliness (the Germans are great experts when it comes to order, as everyone knows), but rather the completeness, indeed the perfection of the selection.

The cooperative, which supplies not only electricians, but also locksmiths, blacksmiths, machine repairmen, automobile mechanics, in short all those who work with metal, has three production facilities. They have a storage facility for every possible spare part in a neighboring street, and there is a large metal warehouse in the city Badelsburg: steel rod, tinplate, pipe, cable, and miscellaneous things, stock for 60 days' operation. All of this is the collective property of the 345 member establishments.

The board is headed by Fritz Lele--locksmith, private craftsman. This is his civic activity. But by contrast with the cooperative that supplies the hairdressers, this mighty organization can afford a few things such as its own staff of economists, technologists, bookkeepers, and highly qualified supply experts. And a rather solid staff: 52 people! This is no Schultze carrying around cream and eau-de-cologne in his truck.

"I would like to say a personal word," yet another excerpt from the triumphant ode of the locksmith Fritz Lele. "I am happy that we have no turnover of personnel. I am proud that so many able and respected people have been working with us for so long. Their 15, 20, and 30 years of service enriches us with the experience of wisdom and does not allow us to forget the bitter and happy moments in the history of the cooperative. I am happy that we have a grievance commission which never conducts proceedings...."

The turnover of "Metall" is 20 million marks a year, its profit less than 80,000. It is used to replenish its production fund and social welfare fund, 1.5 million marks is put aside for a rainy day--an untouchable reserve. And they give 12 percent of the profit to the craft and trade chamber. Other similar craft and trade societies also deduct their share. The Potsdam Chamber collects about 800,000 marks a year from their contributions.

The craft and trade establishments which "Metall" supplies subscribe a certain amount when they join. It varies. One share is 300 marks, but a master craftsman working alone or with one helper puts up 2-3 shares, and the one who has 8-10 workers will pay even more. The number of shares has to do with the number of purchases per year. The maximum contribution is seven shares; or 2,100 marks. Aside from the entrance fee, obviously, every purchase is paid for separately.

"Metall" resells to the craftsman at a higher price than it buys for. That is what it lives on. But after all state wholesale trade operates exactly the same way! It is also of benefit to the craftsman: The services which he provides to his customers entirely cover his costs. No one loses, everyone gains. And if you are disappointed (so far there have been none), you can leave the cooperative and take back your share.

The contracts with the wholesale trade people of "Metall" are concluded on an annual basis.

"And do you always get what is written down in the contract?"

"Always."

"And always on time?"

They did not get the point of my question: If it is not on time, then what the devil is a contract good for?

"Listen," I said to Fritz Lele, "and what happens if the members of the board and you yourself as chairman should supply your own establishments first? In my country we say your own shirt is closer to your body...."

"No, no, and no! I, the chairman of this cooperative, master locksmith Fritz Lele, am required to put in exactly the same order as anyone else. The board comes up for election every year. And every year the review commission which does not report to me looks closely at my activity."

He had an emblem on his chest.

"What is that?"

"The Gold Badge of Honor--the award from the craft and trade chamber," Fritz Lele explained.

"And the smaller one, the one with the hammer?"

"The symbol of the trade."

"And the ring on the chairman's finger?"

"An honorary ring--a prize awarded by our cooperative. So far there are only three who possess it."

"Metall" gives to the state 60 percent of its profit--taxes. The republic does not lose, but the cooperative, as we have already learned, is also getting along. There is a good bonus fund, forest cabins for vacations of the people who work together--including kitchen, refrigerator, television set, and hot water.

The craftsmen and tradesmen in the GDR do not have a certain kind of scissors, the gap between the requirements of production and material supply. But the hairdressers have all the scissors they need, the radio repairmen parts, and the bakers flour....

5

The GDR has 15 districts and 15 craft and trade chambers. But there is no unified chamber for the entire country. Joachim Maske in Berlin complained that foreign counterparts cannot understand this. They send an invitation to an international meeting of craftsmen and tradesmen in Hungary or Poland and are surprised that there will not be any nationwide delegation from the GDR, the Berlin chamber is entitled to represent only the craftsmen and tradesmen of the capital.

"But you do manage the similar institutions in other districts?" 'No,' I answer them, 'we do not manage them.' 'But who in your country is at the head?'--'In Dresden it is the Dresden Craft and Trade Chamber, in Potsdam the one for Potsdam, in Erfurt the Erfurt chamber.'--'And you do not have the right to act on their behalf?'--'No one has given us the authorization.'"

This makes a great deal of sense: Craft and trade work by its very nature, historical traditions, and orientation toward especially individual needs and taking into account local customs is the least subject to superficial centralization. Economic principles and legal norms must be uniform for the activity of craftsmen and tradesmen, but an excessive bureaucratic superstructure is counterindicated for them.

The heads of the chambers with whom I talked spoke only on their own behalf, but how much they had in common in their ideas, how deeply they had penetrated into the essence of the phenomenon that lies at the crossroads of economics, history, and the way of life.

"Craft and trade work in Germany has been developing for centuries. The associations by crafts and trades were called guilds. Now we have 157 professional craft and trade groups--and each has its historical peculiarities. The craftsmen and tradesmen adhere to the style of service which their fathers and grandfathers had. We consider this part of our cultural legacy." (Gerhard Skoruppa, Potsdam).

"Soon 100 new craftsmen will receive certificates in the building of the Gildehaus. There will be an evening of ceremonies with refreshments. We adhere to the democratic style of relations. Any craftsman or tradesman can come up to me, the chairman of the chamber, at any time without making an appointment in advance. We are zealous about whatever is new in every profession and about how it is developing. You have surely noted that the craftsmen and tradesmen are proud of their profession? They feel that they belong to the destiny of their fatherland, and the fatherland rewards them for their work with medals just like the workers in state enterprises." (Kurt Mikolei-chak, Erfurt)

"The traditions are not the products of arbitrary spontaneity. We nurture the work habits of the master craftsman of the past every day with the same thoroughness as a gardener tends his plants. In the GDR only a master craftsman with a certificate can have an apprentice. But every craftsman must leave behind to a young man his greatest wealth--his art. Every year our chamber awards the master craftsman 500 marks for keeping an apprentice. We furnish another 250,000 to fit out workshops where the apprentices receive certain habits in addition to those which they learn from the master craftsman. We are also concerned about establishing the symbols of the crafts and trades which were born in ancient times. People would go along the street and they would see that this is a shoemaker's, this a tailor's. In Berlin the crafts and trades began in the 14th century with the tailors, the shoemakers, the butchers, and the bakers. And even then the representatives of these craftsmen and tradesmen were in the magistracy. But now we have more than 100 crafts and trades. Some have disappeared like the coachbuilders, and others have come into being for the first time as the new technology has emerged. How long will they exist in our socialist state? So long as society feels a need for them." (Joachim Maske, Berlin)

The eternal fear: individual services lead to the spontaneity of unmanageability. I did not notice that kind of spontaneity in the GDR. They have no moonlighters and no illegal service sector. Nor is there any need to resort to illegal people, jacklegs, and other such types when you need housing repairs, to build a garage or a cottage, to get something restored quickly and, most important, with a guarantee of reliability. The absence of illegal offerings in the service sector is explained by the absence of demand for them. The point is a simple one.

The difference between the work done under the table and the work done by licensed and encouraged craftsmen is fundamental in nature. The illegal is actually a priest of unmanageable spontaneity. Since the official position is that he does not exist, he is like a specter who operates by his own laws in spite of ethics and the law of the state and society. And although he is objectively useful--he is making up for the shortage of services--at the same time by his nature he instills an element of chaos into the economy. He gets his supplies from people just like himself, illegals, and it would be simpler to say that the materials are pilfered from the state. Often the illegal uses even his employment in a nationalized service to conceal secret earnings and semicriminal self-supply of lumber, paint, leather--everything he might need to provide illegal services to the public. By contrast with him the craftsman and tradesman uses only and exclusively his own materials which he has purchased for his own money, and that also applies to his equipment, technology, and space--all of this belongs to him or has been rented, that is, has been paid for with money. In this case there is no fertile soil for pilferage, for engaging in trade with property that belongs to the people.

So, where is the spontaneity, I ask once again, where is the unmanageability? There are many craftsmen and tradesmen, the volume of their services has been growing, and this growth is planned for by the State Planning Commission. All their activity is sensibly guided by the state into a useful channel.

In Berlin I talked in detail with Joachim Maske, the first deputy chairman of the craft and trade chamber. A gray-haired man in a brightly colored sweater--red, white, and black diamonds. At one time he was an apprentice in a private establishment, and he has also had experience working in the state administration: as a district counselor he was concerned with finances and prices. He has been in the craft and trade chamber for 8 years now. An experienced man. I would add: and also educated--he studied to be an economist and has an academy certificate.

I learned from him that the craft and trade chamber in the capital is a rather representative and solid organization. Aside from the board, there are 164 paid staff members. The membership of the board, aside from the nucleus of leaders, includes representatives of the cooperatives and the private craftsmen--29 persons in all.

In Berlin there are 1,000 craftsmen and tradesmen; concern about their work and enlightenment, continuity in the generations of craftsmen and tradesmen, leisure, and recreation are the main things for the chamber. Those are the purposes the budget is also mainly spent for, about 4 million marks a year. More than 400,000 go for vacation centers, 350,000 for children's camps, which are usually attended by as many as 700 children of craftsmen and tradesmen.

Incidentally, another curious feature to compare the work of craftsmen with the underground and uncontrolled activity of our illegals of various kinds. In the GDR the son of a craftsman is proud of his father, and he often wants to be his successor. Personal contact in the children's camp awakens a rivalry natural at that age to be able to do something with one's own hands, and, believe me, there are children there who know what work is. Many have

already spent 2 or 3 years learning from their fathers to sew trousers, to stitch shoes, to repair electrical appliances, to adjust television sets. The respect for the father's occupation is clearly manifested. One can imagine the "occupational continuity" in the family of a moonlighter, who usually conceals what he does from his own son in almost the same way as he does from the policeman or the financial inspector??!

In the building of the Berlin Craft and Trade Chamber in Karlplatz I was interested in the wooden sculpture of a blacksmith. Here there are seven figures of craftsmen in various trades, but each was done by someone else. They were done by craftsmen in the twenties. There was also a desk made by a team of craftsmen: The top was made by one craftsman, the drawers by another, and the doors by a third. It was a pity I did not have occasion to see it; the desk remained in the former building of the craft and trade chamber. The building on Karlplatz proudly announces that it belongs to the crafts and trades by the shaped metal grillwork on the windows and doors, the lighting fixture which you could send away to an exhibition right now, symbols of their work. Of course, this is not the Erfurt Gildehaus, which is 400 years old, but still....

They also refer to the Gildehaus as "Zum breiten herd" ("The Wide Hearth")-- that is how it is referred to on tourist maps and in booklets. Kurt Mikoleichak, who is the chairman of the craft and trade chamber located there, invited me to the "Wide Hearth" with all the breadth of his gregarious soul. Cheerful and good-natured, in the first minutes he broke the ice of official politeness that is inevitable when you meet someone you do not know. The conversation was frank and took place in an atmosphere that was anything but forced.

Here again I wanted to know what the chamber did and what financing it had. Mikoleichak fully satisfied my curiosity. He said that their budget was more than 3 million marks a year; contributions from craftsmen and their establishments. They spend 500,000 to improve qualifications and for apprentices ("The contribution to the future generation"). Another 250,000 for the vacations of the craftsmen, and the same amount for bonuses paid from the fund for support of efficiency proposals. There is also a specifically Erfurt expenditure: 500,000 to maintain the historic building. Sitting in the "Wide Hearth" is expensive, even though it is pleasant.

"And the state furnishes nothing for your budget?"

"Why? We have our money."

"And you give nothing to the state?"

"If anything remains in the budget, then we transfer it to the central insurance fund of craftsmen and tradesmen in Berlin. But in a figurative sense we give a great deal to the state by stimulating the crafts and trades. The baker kneads his dough by hand, but now there is a machine that shapes the rolls. Who crafted it? The craftsmen themselves on the initiative of our chamber. An automatic machine for making croissants, this is how they look on

the dish, was made by the cooperative of locksmiths and paid for by the chamber. Last year they made 40 such automatic machines, this year there will be 100, and in the near future we will satisfy even our entire demand for them and will begin to supply them to other districts.

"But perhaps it is more advantageous to the private craftsman to knead his dough by hand and he does not necessarily need to acquire new machines?"

"True, it is optional, but he is always interested in making his work easier and in earning more. That is why he is ready to make the expenditure. And we are making the burden of modernization lighter."

"How? You do not pay supplements!"

"Precisely! Recently we carried out a reform of industrial prices: they were raised on machine tools and machines. But we sell equipment to the bakers at preferential prices from the fifties. That same machine costs the baker 5,000 marks less. He cannot buy it, he gets a loan for it. And even that is on preferential terms and conditions. And in Erfurt we have 500 private bakers, the big bakeries meet only half of the district's need."

We talked about other things. We leafed through the newspaper NEW CRAFTSMANSHIP; craftsmen and tradesmen of the GDR receive it free--they themselves finance it. And another one--CRAFTSMANSHIP IN ERFURT DISTRICT, which is also free. What do they write about in it? There was a list of the names of new craftsmen who had passed examinations, one needs to know them...business information...exchange of know-how...announcements: such-and-such a craftsman is selling a machine, "I will buy equipment for...."....a report on the hairdresser's contest....

Our talk with Mikoleichak was not one on one. There were also members of the board of the Erfurt Craft and Trade Chamber there who wanted my mission to be successful and who praised the work of their own craftsmen in that connection. They wished to join him and me. A dictating machine recorded my response to the toast in the Gildehaus, which I forgot to turn off:

"The word 'craftsman' is a synonym of work and talent in your country. I am sorry that in my language its meaning is not confined to what is indisputably constructive. It may even sound accusatory. About an actor or a scientist, a writer or an artist, if he has professional skills, but is not talented and lacks inspiration, we say: a craftsman! No one in your country would understand that shade of meaning.... 'Oh, that is craft!'--that is what adolescents might say to their contemporary, not concealing their disdain. The craft and trade schools where they trained workers have been renamed technical schools: This seemed to have more prestige for young people and their parents.... On the basis of what I have seen here in the GDR, I would like to contest the negative use of a remarkable word. I am in favor of the craftsman and the craft! In favor of an art that passes from generation to generation! In favor of the science of the kind of craftsmanship that you would teach!"

In its 400 years the building "Wide Hearth" has no doubt heard quite a few toasts. It is impossible to imagine the appearance of the people who have sat century after century under these carved ceilings, warmed themselves at these fireplaces with colored tiles, gone down the winding staircase whose equal can be found only in Venice. But I am convinced that the meaning of their words would not be so far from my toast. After all, in the Gildehaus the magnificence of skillful hands has always been praised.

We might end with that. But I need to find a word that sums up the constructive part of my impressions from a familiarization with the crafts and trades in the GDR. And that word is "choice"!

The three forms of property in the service sector create the possibility of choice for all. The customer has a choice: He can go to a state service combine, to a cooperative of craftsmen, or to a private craftsman. The professional has a choice: He can work in any sector he likes, wherever it suits him. And the state has a choice: By developing the network of consumer service enterprises, it can make investments so as to take into account the services rendered by the craftsmen....

And when there is something to choose from, things progress more cheerfully.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### REPORT ON RESULTS OF BSSR LIGHT INDUSTRY EXPERIMENT

Moscow PLANOVYE KHOZYAYSTVO in Russian No 5, May 86 pp 51-58

[Article by N. Barabanov and M. Kunyavskiy, doctor of economic sciences and professor: "What the Experiment in the Sector Has Shown"; capitalized passages published in boldface]

[Text] Enterprises and associations of the BSSR Minlegprom were some of the first to participate in the economic experiment which began in 1985 in some sectors of the national economy. On the whole the new management conditions had a positive effect on work results and contributed to the growth of collectives' labor activity. The average annual rate of production growth for 1984-85 amounted to 4.1 percent compared to 2.8 percent in 1979-83. At the same time, a 100-percent fulfillment of plans for volumes of realization, taking into account the commitments for delivery of production in accordance with reached agreements, was ensured in 1984-85. With the overall growth of labor productivity in the 11th 5-Year Plan by 20.9 percent, 11 percent were achieved during the last 2 years; the absolute numerical strength of industrial and production personnel was reduced. The relative share of production of improved quality has increased (from 25.1 percent in 1983 to 35.5 percent in 1985). Production cost was reduced in the sector and profit was substantially increased. It is significant that 80 percent of the increase in labor productivity was achieved by retooling production, toward which 45 percent of capital investments were directed in 1984-85. At the same time, the weak aspects of economic innovations were also brought to light.

First of all, many negative elements in planning methods, which have developed in sectors and production associations, have not been overcome and as a result plans often remain not stepped up, not balanced, and not aimed at full satisfaction of social requirements with efficient utilization of resources. A particularly NEGATIVE INFLUENCE WAS EXERTED BY THE USE formally of an accounting, but in fact of a directive volumetric cost INDICATOR OF COMMODITY PRODUCTION in wholesale prices of an enterprise. EXPERIENCE HAS CONVINCINGLY CONFIRMED ONCE MORE THAT THIS INDICATOR IS ESSENTIAL ONLY FOR DEVELOPING CONSOLIDATED NATIONAL ECONOMIC AND REGIONAL PLANS, BUT IS COMPLETELY UNACCEPTABLE FOR CONTROLLING AND APPRAISING THE ACTIVITY OF PRODUCTION ASSOCIATIONS (ENTERPRISES).

Since the ORDER OF COORDINATION (combination) of requisitions and ORDERS OF TRADE ORGANIZATIONS, PRODUCTION PROGRAM DRAFTS, AND MATERIAL AND TECHNICAL SUPPLY

PLANS, ESSENTIALLY, DID NOT CHANGE, the plans as a whole remained insufficiently balanced and did not fully take the eventual consumer demand into account. THE SITUATION WAS MADE EVEN WORSE BY A STRIVING FOR INCREASING VOLUMETRIC COST INDICATORS, WHICH IS PARTICULARLY USELESS FOR INDUSTRIAL ENTERPRISES THAT ARE CALLED UPON TO SATISFY THE DEMAND OF THE POPULATION.

The mechanism of material and morale incentive, which was formed by conditions of the experiment, does not direct collectives toward adopting stepped up plans. This, in particular, is explained by the fact that absolute values of stable fund forming norms (indicators) are not differentiated according to the criterion adopted in a plan and the actually achieved level and the planned level of indicators simply does not have an effect on the material interest of a collective. The established practice of assuming increased commitments annually, and in particular of setting additional tasks, not only does not improve the situation, but, on the contrary, makes it even worse.

Ensuring intensity and balance of plans and strengthening on this basis of contractual discipline and fuller satisfaction of consumer demand require improvement of methodology and methods of planning. First of all, it is necessary to change the periods for working out and confirming requisitions, orders of trade organizations, and plans for production and material and technical supply; for conducting raw materials, equipment, and finished products trade fairs; and for reaching agreements and confirming annual plans for socioeconomic development. Under this condition, in the first quarter of the year, preceding the planned one, the light industry could have at its disposal the requisitions and orders of trade organizations and a draft of the plan for production and material and technical supply. Trade fairs for the purchase of equipment and raw materials should be conducted at the beginning of the second quarter and finished products trade fairs at the end of the second quarter (in May-June) so that by 1 September industrial enterprises and trade would have confirmed plans for production, material and technical supply, and goods turnover. Production output cost volumetric indicators for light industry enterprises must be set strictly according to agreements reached at trade fairs.

For a more flexible consideration of consumer demand in agreements and specifications it is expedient to provide a comprehensive range of products (by models) only for the first quarter of a planned year, and for the remaining ones to provide value volumes of production (in retail prices) for an enlarged products list with subsequent effective clarification on a contractual basis. It seems that it is necessary to grant the right to trade and industrial organizations to sell a certain part (15-20 percent) of production at trade fairs without prior assignment of suppliers to consumers. To stimulate adoption of stepped up plans it is necessary that fund forming norms for fulfillment of plan indicators are at least DOUBLE the ones actually achieved above plan. It is already absolutely clear that only in exceptional cases it may be permitted to set all sorts of additional tasks for the output of production. If they are extremely necessary, then they must be accompanied by corresponding allocation on a contractual basis of material-technical and manpower resources and stimulation of these tasks must be given the same legal status as for confirmed plans.

Under new management conditions, the volume of production realization in accordance with reached agreements serves as the basic valuation indicator. Its use contributes to raising the responsibility of suppliers before consumers and stabilizes economic relations; directs toward an in-depth study of consumer demand; and stimulates fuller satisfaction of actual requirements. However, one cannot underestimate certain negative aspects of the indicator being analyzed.

First of all, the accepted form of its calculation now reflects the interests of suppliers more than that of consumers: a plan for this indicator is regarded fulfilled 100 percent even when production is shipped on the 30th and 31st day of a quarter's last month. It does not direct toward supply regularity. Moreover, deliveries in large batches and to a limited number of addressees are of advantage to producers. And, finally, the product mix that is used to appraise fulfillment of the indicator and specific variety, which is defined by agreements and for the failure to fulfill which penalties are imposed, do not coincide. As a result, 100-percent fulfillment of the aforementioned indicator may be accompanied by payment of penalties for failure to deliver individual kinds of production.

But on the whole the INDICATOR FOR THE VOLUME OF PRODUCTION REALIZATION TAKING FULFILLMENT OF COMMITMENTS ACCORDING TO AGREEMENTS INTO ACCOUNT, DOUBTLESSLY, HAS SUBSTANTIAL ADVANTAGES AND SHOULD BE RETAINED IN MANAGEMENT.

To raise the effectiveness of its utilization the requirement is:

to gradually expand the valuation list of products being turned out and make the products list more precise, for the failure to fulfill which a consumer may impose penalties on a supplier;

to shift to calculation of the given indicator not according to the MOMENT OF SHIPMENT, but according to the MOMENT OF PAYMENT, which would stimulate a steady pace of shipment and prompt satisfaction of demand; and

to conduct calculations according to a stricter scheme: the amounts of deliveries according to agreements should be attributed to the overall planned volume of realization of production.

Under new conditions, enterprises have somewhat stepped up work with regard to raising the quality of production and improving the industry's links with trade. Nevertheless, there is so far no mechanism for a sharp improvement of production quality.

At the present time, interest has been created in the light industry in renovating production, inasmuch as the relative share of produced articles with "N" and "D" indexes is taken into account. At the same time, sufficiently PRECISE CRITERIA FOR GIVING THE "N" INDEX ARE LACKING. The order now in force allows giving it even during renovation of a single parameter of an article and, which is quite often, deterioration of others. Moreover, ATTACHING THE DIRECTIVE AND VALUATION STATUS TO AN INDICATOR WITH A PROPORTION OF PRODUCTION HAVING "N" AND "D" INDEXES

HAS GIVEN RISE TO A "PERCENTAGE MANIA" AND FORMALISM DURING CERTIFICATION OF PRODUCTION. A SURCHARGE TO RETAIL PRICES FOR "N" INDEX HAS MADE IT PROFITABLE FOR MANUFACTURING ENTERPRISES AS WELL AS FOR TRADE AND FINANCE ORGANS, THOUGH IN SOME CASES IT HAS NOT ENJOYED DEMAND AMONG CUSTOMERS.

There must be precise, comprehensive criteria of newness and high quality of articles for giving them the "N" index; high responsibility of artistic councils; and prompt, early removal of surcharges to prices for "N" index goods which are not in demand.

The new conditions are also contradictory with regard to stimulating the improvement of production quality. On the one hand, enterprises were provided with a possibility of using up to 40 percent of "N" index surcharge deductions for additional expenditures with regard to the output of high quality production (including for wages), but on the other hand, the use of these funds is restricted by rigid wage increase limits, including for improving production quality, and by correlation of the growth of labor productivity and average wages.

The industry's interrelations with trade have not changed radically under the new conditions. CUSTOMER DEMAND IS BEING SLUGGISHLY STUDIED, FORECAST, AND FORMED AS BEFORE IN TRADE AS WELL AS IN THE INDUSTRY. There is no clarity as to which of the partners should study what sort of demand; the methods of its study and formation are also imperfect. As a result, CONSIDERABLE DEVIATIONS FROM CONSUMER DEMAND ARE TOLERATED AND PLANNING AND ORGANIZATION OF PRODUCTION ARE DISORIENTED.

The experiment conditions did not have the necessary effect on accelerating the reequipment of production, although this is a most important task, including in the BeSSR light industry, where the level of utilization of production capacities is comparatively high (95-98 percent) and the share of obsolete equipment is great (on the average the share of basic manufacturing equipment that is more than 10 years old amounts to more than 40 percent). In this case the equipment being put into operation is mainly used for increasing production capacities, and not replacing worn-out and obsolete equipment (the annual input of fixed capital amounts to 6-7 percent of its value, whereas removal amounts to only 1.7 percent, and the intensity coefficient of fixed capital replacement is only 0.25).

Although the formation order of production development funds (FRP), which was introduced in 1985, has somewhat expanded the possibilities for their stable growth, they did not become the primary source for financing reequipment. THE SELECTION OF INCREASE IN BALANCE PROFITS AS A FUND FORMING INDICATOR HAS TURNED OUT TO BE UNSUCCESSFUL FOR CONDITIONS OF THE LIGHT INDUSTRY, FOR BALANCE PROFITS ARE EXTREMELY POORLY LINKED HERE WITH THE REAL REQUIREMENTS OF ENTERPRISES IN INCREASING THE DEVELOPMENT FUND, AND THE DYNAMICS OF PROFITS THEMSELVES ARE EXTREMELY UNSTABLE AND DO NOT ALWAYS CHARACTERIZE THE REAL FINAL WORK RESULTS OF LABOR COLLECTIVES. Moreover, the existing strictly centralized system of equipment distribution determines the dependence of enterprises' possibilities with regard to technical improvement of production not on the existence of FRP,

but on allocated resources which are not always distributed (and in this is one of the main shortcomings of the existing mechanism) in accordance with the existence at enterprises of their own means for reequipment and requirements in it. As a result, SURPLUSES OF THE PRODUCTION DEVELOPMENT FUND INCREASED. FOR EXAMPLE, IN 1984 COMPARED WITH 1983 THEY INCREASED 3.5-FOLD IN THE SYSTEM OF THE BSSR MINLEGPROM. Due to the same reasons the growth of credited production development funds has slowed down. This had led in 1984-85 to reduction by 20 points of the FRP share in sources of financing reequipment and modernization of enterprises.

NOT FULLY JUSTIFIED WERE THE PROVISIONS FOR INCLUDING FRP FUNDS IN STATE CAPITAL INVESTMENTS AND ENSURING THEM WITH PHYSICAL RESOURCES IN THE SAME ORDER AS CENTRALIZED ONES, on the order of division of state capital investments into centralized and decentralized, whose criterion is not special earmarking of funds and level of adopting a decision on their realization, but a source of financing.

In practice the volume of centralized capital investments is established by means of subtracting from their overall volume an amount of means of the development fund, and under centralized capital investments fixed in this manner for enterprises financial sources of their defrayment are planned, mainly through amortization deductions for full restoration of fixed capital.

This mechanism of forming financial sources is very poorly tied in with conditions and results of cost accounting activity of enterprises, gives free range to subjectivism, and negates the interest of enterprises in forming FRP, for financial resources are guaranteed during allocation of equipment to them.

The existence of two channels for financing capital investments is contrary to the very idea of expanding the rights and raising the responsibility of enterprises for work results. The duplicity has complicated planning instead of simplifying it: the volume of calculation work has increased and calculation and planning mix-ups have cropped up. The organization of planning capital investments has not changed. Just as before the experiment, the quotas for planning and surveying work are left to higher organizations, the latter also determine the possibilities of conducting capital construction work.

It would seem that the cost accounting function of the production development fund should be particularly effective for above-limit capital investments, since the existence and the amount of the development fund are called upon to play a determining role in adopting a decision with regard to implementing measures for technical improvement of production. But since the actual amount of above-limit capital investments is extremely small (approximately 10 percent of their overall volume) and material and technical resources for them are distributed for the most part in a centralized manner, then the cost accounting function of FRP is not being fully realized here.

The work experience under new conditions confirms the expediency of reducing the volumes of centralized capital investments in reequipping light industry enterprises and correspondingly increasing the amounts of production development

funds. To raise the intensity of equipment replacement in the 12th 5-Year Plan it is necessary to increase the norms of amortization deductions for renovation and direct them fully to FRP. There is a need for a precise list of measures for reequipping enterprises, which are financed through FRP and centralized sources.

The new management conditions have brought about changes in the order of formation and utilization of wage and economic incentive funds and into the entire workers stimulation system as a whole. The latter turned out to be more effective than the one in operation earlier. But shortcomings were discovered in it as well: the wage and economic incentive funds did not turn into an effective result of cost accounting; multichanneling was preserved, and therefore the guarantee of incentives for workers; and the value of incremental shares of basic sources of stimulation turned out to be insignificant and did not become an effective stimulus for intensification.

In the course of the experiment a base-incremental method was used for forming the wage fund of industrial and production personnel, which ensures reduction of wage-intensiveness, and right after that of production costs; aimed at absolute freeing of the number of workers. This to a great extent is due to the fact that over a period of 2 years of work under conditions of the experiment the entire increase of production in the BeSSR Minlegprom was obtained through increased labor productivity. An advantage of no small importance of the base-incremental method consists in the fact that subjectivism is eliminated during determination of the planned wage fund and it is no longer necessary to "hammer it out" in the ministry. However, an overwhelming share of the wage fund consists of a so-called base fund that is formed, unfortunately, as a maximally possible one, which gives rise to a striving of enterprises for increasing it. Methods for adjusting the base fund are far from well-founded. In particular, to accelerate scientific and technical progress it would have been important to reduce the base wage fund by an amount received which was less than the one planned for economizing it. The base fund should also be adjusted in consideration of changes in labor intensiveness of production in connection with structural changes.

Conditions of the experiment have expanded the possibilities of enterprises in differentiating wages and in establishing increased supplementary payments, raises, and much higher salaries. However, introduction of the maximum growth correlation of wages and labor productivity has reduced the possibilities of enterprises in using raises. Thus, MPOO Luch out of R146,800 of relative FZP savings was able to use only R43,200 in the first half of 1985. Moreover, at many enterprises raises are set according to an equalizing principle and bonus systems are overloaded with various indicators and as before are not distinguished by clarity.

Under new conditions the stimulating role of the economic incentive fund (FMP) has increased and an overwhelming majority of enterprises have increased its amounts. But substantial flaws have been discovered in the adopted methods for formation and utilization of FMP. Although it has been established that the calculated profit increase indicator is a fund-forming one during the

formation of FMP, there also exists another fund-forming indicator--deductions of a part of surcharges (up to 15 percent) to retail prices for new commodities of improved quality and an amount of additional monetary accumulations from the sale of first experimental batches of commodities and particularly fashionable goods according to contractual prices, owing to which more than half of FMP funds are formed.

A great number of fund adjusting indicators, which guarantee certain amounts of a fund, reduce the unified special-purpose direction of economic incentive, complicate calculation and planning, and lessen the value of some important indicators, for example, economizing material expenditures, turning out a range of children's goods, and so forth.

The problem of increasing production of a range of children's goods is extremely important for the light industry. As a result of maintaining a low level of prices for these goods, their production is either not sufficiently profitable or unprofitable, that is to say they are economically disadvantageous for enterprises. Meanwhile, the high profitability of the light industry as a whole makes it possible to create by virtue of intelligent intrasystem redistribution of profits an effective mechanism for stimulating production of children's goods. However, the USSR Minlegprom and the USSR Gosplan have not resolved this important problem and the output of children's goods is now being achieved only as a result of administrative pressure.

THE BRIGADE FORMS OF LABOR ORGANIZATION AND STIMULATION are being disseminated on an increasingly broader scale in the sector and the share of workers who are members of brigades is steadily growing (by November 1985 it reached 77.9 percent). The majority (86 percent) of existing brigades are listed in records as brigades of a new type, which work for a unified order with payment according to the final result and the use of KTU. But in reality, as a rule, these are not absolutely contract collectives. Labor stimulation in them is carried out according to individual norms and appraisals (rates), but taking into account some collective indicators during payment of bonuses. As a result, the emphases in the activity of workers are shifted from collective to individual results, and therefore the effect from formation and work of the brigades is not high enough. Three-fourths of the brigades formed in the sector are considered self-supporting. But, unfortunately, the principles of cost accounting are extremely vague and often formal.

During the experiment a new order of DISTRIBUTION AND UTILIZATION OF PROFITS and a somewhat modernized financial planning system were used. The object pursued was to form relationships between the budget and self-supporting enterprises (associations) on the basis of stable norms. At the same time, the norm of withholdings from profits to the budget was not scientifically substantiated: it was set by means of simple subtraction from profits of actual amounts of expenses for own needs according to the base period. Under such conditions enterprises sought to include in the financial plan the maximum amount of expenses for own needs, and higher organs, including the Ministry of Finance, looked for ways to reduce these expenses. As a result, a subjective approach instead of a scientific one predominated. Solution of this question in accor-

dance with the aims of the experiment has required and requires development of norms for expenses from profits for own needs, but such work was not conducted. As a result, norms of withholdings from profits to the budget turned out to be individual and varied at individual enterprises in the range from 27 to 95 percent of calculated profits. The shift as of 1986 to normative distribution according to a unified (77.4 percent) profit increase norm has not made substantial changes in the state of affairs. The shift will INCREASE even more the INEQUALITY OF THE ECONOMIC SITUATION OF ENTERPRISES AND WILL STIR UP STIMULI TOWARD PRODUCTION OF "ADVANTAGEOUS" PROFITABLE VARIETY.

THE MAIN REASON of the new profit distribution mechanism's FAILURE is that it relies on MASS profit, which is subject to substantial fluctuation and does not fully reflect the positive and negative results of a collective's work.

In developing profit distribution norms consideration should be devoted, first of all, not to mass profit, but to the technical structure of production, the necessity of ensuring reproduction of fixed capital, and solving basic social and economic tasks.

The formation of a financial reserve is an important innovation of the experiment. But it is formed only from above-plan profits, and therefore only 29 enterprises had it in 1984 and 23 enterprises in 1985. And not a single one of them was able to establish a reserve in the amount of 5 percent of their own working capital.

Introduction of additional payment for above-norm commodity stocks and equipment which has not been installed in the amount of up to 3 percent of their value for which no credit was extended by the Gosbank turned out to be effective. Owing to this it was possible to reduce above-norm stocks valued at R1.1 million in the BeSSR Minlegprom system during the period of the experiment.

Under conditions of the experiment great attention was devoted to regulating ACCOUNTING as one of the most important conditions of improving the economic mechanism. Introduced at some enterprises and being introduced at others is a PROGRESSIVE NORMATIVE METHOD OF CALCULATING EXPENDITURES for production, which makes it possible to efficiently control expenditures, reveal reasons of inefficient utilization of reserves, and prevent overexpenditures and mismangement.

Nevertheless, broad introduction of normative calculation of expenditures is restrained by lack of effective interest of labor collectives in most stringent policy of thrift, insufficient supply and imperfection of weighing and measuring devices and their own electronic computers, and limits of maximum allocations as well as by a shortage of bookkeeping personnel of proper qualification.

An analysis of work under conditions of the experiment reveals that its mechanism is not in a position yet to ensure those aims and tasks which face the national economy with utmost urgency, and particularly sectors which produce consumer goods. It is impossible not to take into account that a negative role in conducting the experiment was played by factors such as retention of old work methods at higher levels of national economy management and in functional management organs. The latter often violated conditions of the experiment, and at

times adopted decisions which were directly opposite to its conditions. Local organs have not always worked in the necessary direction and with understanding of the content and tasks of the experiment; the outdated norms of management rights and work methods of transport and other organizations made themselves felt.

Conducting the experiment only in INDIVIDUAL sectors of the national economy has determined from the very beginning the impracticability of many aims and tasks which were set before it. It is precisely because of this that special organs were functioning in our republic, as in the country as a whole, which were called upon to coordinate work under conditions of the experiment--inter-departmental commissions which, for example, in Belorussia have substantially raised the exactingness toward subcontractors and others connected with the experiment, management organs, and enterprises. Conditions, which sometimes were appraised as "hothouse" conditions, were created for its participants. Meanwhile, they must be TYPICAL conditions everywhere, for they establish an elementary order without which it is out of the question at all to talk about intensification of social production.

Conducting the experiment was notable for making organizational and political-educational work more active, substantially increasing the responsibility of all staff workers of the BSSR Minlegprom and production associations (enterprises), increasing attention to questions of production economics and technical progress, and increasing the level of professional skill of personnel and their responsibility for entrusted work. All of this together with positive elements of the experiment's economic mechanism has made it possible to accelerate the rate of development of the sector and to achieve certain positive results.

However, calculations reveal that conditions of the experiment did not have any substantial effect on the dynamics of national economic and cost accounting EFFICIENCY. The point is that the experiment and the innovations that preceded it were built in the principle according to a MODEL of an economic mechanism, which is adequate for a primarily extensive type of development. Its main SHORTCOMINGS are that social goals have no priority in its conditions, it does not contain an anti-expenditure mechanism, and it is not in a position to have a proper economic effect on the basic mass of labor collectives--workers, low and middle level ITR personnel, and employees. As a result, an upsurge of labor and creative activity, which alone is able to intensify production and accelerate socioeconomic development, is not ensured everywhere. "There is a need," as pointed out in the political report of the CPSU Central Committee to the 27th CPSU Congress, "for radical reform. Its point is to subordinate in practice all our production to social requirements and satisfaction of people's needs and to direct management toward raising efficiency and quality, accelerating scientific and technical progress, and developing workers' interest in labor results, initiative, and socialist enterprise in every link of the national economy and, first of all, in labor collectives." (Footnote 1) (M. S. Gorbachev. "Political Report of the CPSU Central Committee to the 27th Congress of the Communist Party of the Soviet Union, 25 February 1986," Moscow, Politizdat, 1986, p 41)

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## CONSUMER SECTOR POLICY AND ECONOMICS

### PRODUCTION GROWTH IN MEAT INDUSTRY SURVEYED

Moscow MYASNAYA INDUSTRIYA SSSR in Russian No 4, Apr 86 pp 1-4

[Article by A. V. Ignatenko, USSR State Agro-Industrial Committee: "Steadfastly Implement the Party's Plans"]

[Text] Workers in the meat branch, an integral part of the agro-industrial complex, have begun implementing the designs of the 12th Five-Year Plan under the deep, powerful influence of the decisions of the 27th CPSU Congress.

The congress made a Leninist analysis of the state of affairs and developed a realistic, thoroughly substantiated program for accelerating the country's socioeconomic development. The principles, conclusions and tasks advanced in the Political Report of the CPSU Central Committee to the 27th CPSU Congress and the Basic Directions of Economic and Social Development of the USSR in 1986-1990 and the Period up to the Year 2000, adopted by the congress, contain a precisely defined program of the further struggle of the CPSU for strengthening peace on earth, for good neighbor relations between peoples, for strengthening socialism, and for significantly improving the people's well-being on the basis of the worldwide intensification of production.

The decisions of the 27th CPSU Congress were received by all Soviet people with warm approval and were a powerful impetus in the creative effort to carry out the realization of new complex, large-scale tasks that must be carried out before the end of the present century.

Workers in the branch must apply maximum energy, experience and knowledge in order to solve the food problem--the top-priority task posed by the party congress. The problem is to secure a decisive breakthrough and to significantly improve the supply of food to the population in the new five-year plan.

The meat industry scored certain positive successes during the 11th Five-Year Plan as a result of its implementation of the decisions of the 26th CPSU Congress and subsequent plenums of the CPSU Central Committee as well as successes in the development of agriculture. Between 1980 and 1985, the

industrial production of meat from state raw material resources increased by 11 percent, sausages--by 6 percent; processed meat [myasnyye polufabrikaty]--by 27 percent; canned meat--by 38 percent. Labor productivity has risen.

The branch's production potential is now higher. The construction, expansion and reconstruction of enterprises have resulted in the introduction of capacities capable of producing 2143 tons of meat a shift, including 469 tons as a result of technical retooling. Work has been carried out to introduce new machinery and technology, to improve the organization of labor and production, and to make rational use of raw materials.

For attaining the highest and most stable indicators in the All-Union Socialist Competition for the fulfillment of the State Plan for the Economic and Social Development of the USSR in 1985, and for meeting the targets of the 11th Five-Year Plan and socialist pledges in honor of the 27th CPSU Congress, collectives of the Moscow Oblast Meat Industry Production Association and the Kharkov Order of Labor Red Banner Meat Combine were awarded the Challenge Red Banners of the CPSU Central Committee, USSR Council of Ministers, All-Union Central Council of Trade Unions, and Central Committee of the All-Union Leninist Communist Youth League and badges of the CPSU Central Committee, USSR Council of Ministers, All-Union Central Council of Trade Unions, and Central Committee of the All-Union Leninist Communist Youth League "For High Effectiveness and Quality of Work Under the 11th Five-Year Plan" and their names were inscribed on the All-Union Honor Roll at the Exhibition of the Achievements of the USSR National Economy. Collectives of the Abakanskiy Meat Canning Combine, the Yenakiyevsky Meat Combine in Donetsk Oblast and the Karakalpakskoye Production Association of the Meat Industry were awarded the Red Banner of the CPSU Central Committee, USSR Council of Ministers, All-Union Central Council of Trade Unions, and the Central Committee of the All-Union Leninist Communist Youth League for the attainment of high results in the All-Union Socialist Competition, for the successful fulfillment of the State Plan for Economic and Social Development of the USSR in 1985, targets of the 11th Five-Year Plan and socialist pledges in honor of the 27th Congress.

Enterprises in the branch developed direct ties with their partners in the agro-industrial complex and continued to make the transition to the on-the-spot acceptance of livestock and poultry on kolkhozes and sovkhozes and their hauling by specialized motor transport. In 1985, 6.1 million tons of livestock were accepted at the place of production. This was 46 percent of the total volume of livestock delivered for industrial processing. The share of on-the-spot acceptance of livestock directly on the farms in the Lithuanian SSR was 88 percent; in the Belorussian SSR--78; Bashkir ASSR--62; Stavropol Kray--72; Ivano-Frankovsk Oblast--84; Ternopol Oblast--69; and 67 percent in Kustanay Oblast.

However, when we objectively evaluate the results of the last five-year plan, we must note that the branch has not attained the level of production indicated in the control figures for most types of products. On the whole, the shortfalls in deliveries between 1981 and 1985 were as follows: meat--4.4 million tons; sausage products--559,000 tons; and canned meat--766 million

standard cans. The transition to the intensification of production has been slow, the potential for the more intensive conservation of raw materials and other material resources was not fully utilized, and the fight against various kinds of losses and mismanagement was not sufficiently effective.

The 12th Five-Year Plan assigned the meat industry intensive, important targets, the realization of which will require a major breakthrough in the work and the mobilization of all resources and potential at every enterprises and in every production sector. In 1990, the production of meat from state raw material resources must grow at meat industry enterprises to 10.5 million tons; sausage products--to 3.4 million tons; and canned meat--to 1360 million standard cans, which is 23.5, 8.7 and 55 percent higher than the 1985 level. The production of canned meat will grow at a relatively more rapid rate and by the end of the five-year plan will total 2.1 million tons, which will be 34 percent more than in 1985. Faster rates of development will be attained in the development of the production of meat dumplings (139 percent), boneless processed meat (2.1 fold), minced meat (156 percent), packaged meat (167 percent), etc. The entire increase in the volume of output planned for the year 1990 must be secured without increasing the size of the work force.

The realization of these tasks requires the all-round intensification and higher effectiveness of production based on the broad introduction of advances of scientific and technical progress. The deeper processing of raw materials and the energetic transition to wastefree and low-waste technology is a key reserve.

Every year, industry receives approximately 900,000 tons of bone which when thoroughly processed can yield 450,000 tons of food products: 108,000 tons of protein, 99,000 tons of fat and 243,000 tons of phosphates. However, with the technology presently in use at most enterprises, only fat is used for food purposes. The remaining components are irrationally used for the production of feed and technical products.

Under the new five-year plan, we must strive to secure the broad introduction of the experience of a number of Estonian SSR meat combines that have mastered the technology for producing food protein from bone and on its basis seasoned powdered broths, sauce concentrates, and puddings for the retail trade and the public catering network. The technology for producing these products is simple, is based on series-produced equipment, and does not require large expenditures.

The blood of animals has high food and biological value on a par with meat. However, only its bright part--serum, which comprises half of the resources of blood, is as yet used for the production of food products. Very little whole blood is used for the production of sausage and zeltsy. Branch science, which has not yet developed reliable technology for clarifying and using blood in the production of foods, is in debt to production.

Considerable reserves lie in the more rational use of grade II meat offals. The industrial processing of a ton of grade II meat offals compared with their utilization in their natural form makes it possible to obtain an economic effect of 100 rubles. However, at the present time enterprises in the meat

branch send only 70 percent of these offals for industrial processing and in some union republics, the figure is even smaller--25-44 percent. At the same time, large reserves of grade II meat offals accumulate at refrigeration plants, which results in the loss of their volume and quality.

Every year, the meat industry produces 650,000 tons of poultry meat. But only 40 percent of it is produced in eviscerated form and only 4 percent is used for the production of processed and culinary products. The experience of a number of enterprises in Stavropol and Krasnodar krays, Rostov Oblast, the Buryat ASSR, the Estonian SSR and others that have mastered the technology of eviscerating poultry and producing processed and culinary products shows that this makes it possible to significantly improve quality and raise the profitability of products, to improve its mix, to use raw material resources more rationally, and to increase the volume of feed production from waste. Therefore, under the new five-year plan, there must be a cardinal solution of the problem of securing the deeper and more integrated processing of poultry. In 1990, the production of eviscerated poultry must be raised to 550,000 tons, a more than twofold increase compared with 1985; the production of poultry in packaged form must be raised to 250,000 tons; and the production of processed and culinary products from poultry meat must be raised to 100,000 tons or must be increased ninefold and fourfold more than in 1985.

The use of the enumerated and other existing reserves and possibilities of the meat branch will make it possible to increase the commodity output by more than seven billion rubles in 1990, i.e., to increase commodity output per ton of raw materials by more than 40 percent compared with 1985.

Meat industry workers must work energetically to make a maximum contribution to strengthening animal husbandry's fodder base as a result of the more complete utilization of nonfood protein waste resulting from the processing of livestock, poultry and meat in the production of dry animal fodder. Measures taken under the 11th Five-Year Plan to improve the collection and processing of this raw material made it possible to increase the production of dry feed to 572,000 tons in 1985, i.e., to increase their output by 18 percent in 5 years. Nevertheless, their production can be substantially increased. It is essential to raise the responsibility of managers and specialists for the utilization of available potential. Branch science should seriously concern itself with the improvement of machinery and technology used in the production of dry feed because today this production is one of the most technically backward sectors of the meat industry.

The Political Report of the CPSU Central Committee to the 27th CPSU Congress, which was delivered by M. S. Gorbachev, general secretary, CPSU Central Committee, noted that the reduction of losses of products of field and farm during harvesting, transportation, storage, and processing is an immediate source for augmenting the food fund. Purely on the basis of this reserve, consumption resources can be increased to 20 percent and for certain types of products--to 30 percent. The cost of eliminating these losses is from one-third to one-half the amount that would be required for the additional production of the same quantity of output.

Verification and analysis of the state of affairs in the branch shows that industry has still not done everything to create a reliable shield against losses in all stages of procuring, transporting and processing livestock, poultry and meat. For example, there are sizable losses at a number of enterprises in the cold processing and storage of meat that can and should be substantially reduced by the technical retooling of refrigeration facilities and the introduction of intensive processing techniques and by developing a single refrigeration network from meat industry enterprises to the consumer.

The expansion of the production of meat products in packaged form helps to reduce losses of the final product and to increase its marketability. The share of meat and processed meat products sold in packaged form is as yet only 26 percent. Under the new five-year plan, it will be necessary to raise this indicator to 40-45 percent. In order to increase the production of packaged meat at a faster rate and to satisfy the population's demand for it and for the purpose of improving the use of highly productive equipment, we must organize the production of these products at all enterprises and especially at large enterprises and in industrial centers.

The production of high quality products must be the subject of special concern and constant attention of work collectives. It must be said candidly that the relaxation of demandingness regarding the unconditional observance of technological routines has created an intolerable situation that results in the production of defective food products. Last year, republic state trade inspectorates prohibited the sale of 3.7 percent of all meat, 7.2 percent of all poultry meat, 3.9 percent of all sausage products and other meat products inspected by them. In many cases, a special regime was instituted and the acceptance of meat products was terminated. Many complaints from citizens over the low quality of sausage products are also being received this year.

In order to correct this situation at every enterprise and in all production sectors, it is essential to maintain strict observance of technological and sanitation discipline in order to guarantee the production of only high quality meat.

The report by Comrade N. I. Ryzhkov, chairman of the USSR Council of Ministers, at the 27th CPSU Congress noted that the uniqueness of the planned period consists in the priority development of the processing industry, transport, and the creation of optimal conditions for the storage of agricultural products. Capital investment allocation for the development of the meat industry under the 12th Five-Year Plan is 71 percent higher than in 1981-85. There will be considerable growth of capacities for the processing of livestock and the production of meat, sausage products and dry feeds. Newly built enterprises will be predominantly situated in raw material zones in order to reduce excessively long hauls of livestock to be processed in a number of instances. This year, on the basis of branch systems, USSR Gosagroprom will develop a uniform system for siting enterprises in the processing branches of industry up to the year 2000 in order to secure the balanced development of branches of the agro-industrial complex and facilities for storing and processing products. The party and government are taking measures to ensure significant improvement in the supply of machinery and equipment to processing branches in the agro-industrial complex. In

accordance with the decree on accelerating the development of the facilities of the processing branches of the agro-industrial complex in 1986-90, the meat industry will be supplied almost one billion rubles' worth of production equipment. Enterprises will be supplied with sophisticated equipment for producing sausage products, for eviscerating poultry, for packaging meat products, and with other types of progressive production equipment making it possible to raise the technical level of the branch, to reduce manual operations, and to raise labor productivity.

In addition, managers and specialists at meat industry enterprises must make more effective use of the existing production potential. Production performance is significantly higher where there is initiative, where there is a proprietary attitude toward the work. Thus, the Kolomenskiy Meat Combine in Moscow Oblast produces 1.5 times more than the Novgorod Meat Combine which has the same capacity; output per worker is 106,000 and 67,000 rubles, respectively. Therefore, it is especially important that every enterprise today decisively improve the use of its existing equipment inventory.

The unconditional fulfillment of this year's intensive plan targets is an important condition to the successful realization of the targets set for industry by the 12th Five-Year Plan. Between 1985 and 1986, meat output must be increased by 0.7 billion rubles. This will require the more complete utilization of the favorable conditions created by the restructuring of the APK [agro-industrial complex] for strengthening ties with livestock farms in the interest of the more active search for and use of raw material resources for industrial processing, of improving its quality, and of securing reciprocally coordinate work in their transporting, uninterrupted acceptance and processing.

The current five-year plan poses the task of entirely completing the transition to the acceptance of livestock and poultry at the place of production and of hauling them by specialized motor transport. Therefore, every oblast, kray, and union republic must devise a detailed program for carrying out this work, allocate the required volume of specialized motor transport, capital investments and other resources, and articulate specific targets for every year of the five-year plan.

1986--the year of the 27th CPSU Congress--must become the year of creative shock work and must lay a firm foundation for the successful fulfillment of the quotas of the 12th Five-Year Plan. In every work collective and in every work place, the basic attention of workers in the branch must be oriented toward improving the quality of the work, toward economy and thriftiness, and the fulfillment and overfulfillment of plan targets.

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## PERSONAL INCOME AND SAVINGS

### MATERIAL SECURITY DIFFERENCES AMONG FAMILIES COMPARED

Moscow ARGUMENTY I FAKTY in Russian No 20, 13-19 May 86 pp 4-5

[Unattributed article entitled: "Material Security: On What Does It Depend?"]

[Text] Perhaps one of the most stirring problems in our day is the problem of social justice. The increased attention to it is also indicated by the mail of ARGUMENTY I FAKTY. The readers are pointedly raising questions about unearned incomes, about levelling trends in wages, about the different contribution to production of people with equal wages, etc. We know that the party is making a fundamental assessment of such phenomena and is taking measures to overcome them.

At the same time, in the letters one frequently encounters generalizations made on the basis of personal experience. "Teachers, doctors and engineers are the least well-secured specialists today," writes, for example, the reader A. Korneyev. And in response to the publication about a young worker, who receives 250 rubles a month, one of the readers wrote: "Where did you see such a worker? In our enterprise, young workers do not receive more than 150-200 rubles."

To clear up the problem and to provide justification for the decision to increase the wages of one category of workers, sociological investigations are called upon. T. Protasenko, junior scientific associate of the Institute for Socio-Economic Problems of the USSR Academy of Sciences, talks about the results of one of them.

A sample survey of the material living conditions of some categories of the population was conducted in Leningrad. For this, they selected four groups of city-dwellers, which differed in terms of their socio-professional qualities: Skilled workers, engineering-technical workers of the basic sectors of material production, teachers, and workers of the service sphere. The results of the survey, of course, do not reflect with absolute precision the situation of these groups of city-dwellers for the country as a whole. But they provide a certain idea about the level of their material security.

## Monetary Incomes

The highest average wages were found among workers (203 rubles), the lowest--among workers of the service sphere (143 rubles). Teachers (151 rubles) and engineers (158 rubles) receive on the average practically the same.

However, in an assessment of material well-being, such an indicator as the total income of the family is also important. Here the teachers are in first place--384 rubles. (It should be taken into account that the survey was conducted before the increase of wages for teachers). This is explained by the fact that in terms of their composition teacher families are relatively uniform (the husbands of teachers are engineers, [university] teachers, and servicemen, the wives of teachers are physicians, teachers, and engineers). Consequently, the contribution of the spouses to the total family budget is either equivalent or differs insignificantly. Moreover, in these families there are fewer dependents, and pensioners, as a rule, continue to work.

An analogous picture is observed in the families of engineers, where the average family budget comes to 331 rubles.

The average monthly budget of a worker's family is almost equal to the budget of an engineer's family and amounts to 325 rubles. What explains the non-equivalence by comparison with the teachers? The point is that the families of the workers that were surveyed were heterogeneous. The high earnings of the husband (the basic earnings in the family) exist side by side with the relatively low earnings of the wife. In these families there are more children and dependents. As a result, the high earnings of the worker "are cancelled" by the low incomes of the other family members.

The families of the representatives of the sphere of service are also heterogeneous in terms of their composition. Here there are quite a few single mothers and divorced women with children, there are families where one of the spouses has high earnings, but for the other--they are stable at the level of 160 rubles (the wife is a waitress, the husband--a taxi driver; the wife is a saleswoman, the husband--a highly-paid engineer; the wife is a snack bar vendor, the husband--a manager, etc.). As a whole, in this category of city-dwellers the average monthly income comes to 341 rubles.

As we see, the total incomes of the families surveyed are nevertheless rather close.

For the analysis of the material well-being of a family, such an indicator as average per capita income is also used. Thus, among the groups of the population surveyed this indicator differs very insignificantly (teachers--112 rubles, workers in the service sphere--109 rubles, workers--106 rubles, and engineers--103 rubles). So even in terms of this indicator, the various groups of city-dwellers are close.

Let us see what other aspects of life look like.

## Provision With Housing

One of the social factors characterizing the level of living is the provision with housing. As is well known, housing in our country is granted free of charge (with the exception of cooperative apartments), irrespective of the monetary incomes of families.

Among those surveyed, 70 percent of the teachers have a separate apartment. Sixty-seven percent of the engineers, too, are supplied with separate housing. Almost every two out of three workers in the sphere of service also live in separate apartments.

The share of families of workers living in separate apartments is a little lower. This is explained by the fact that, among the workers surveyed, those who have arrived from a rural locality--70 percent (this is significantly higher than in other groups of the population surveyed)--predominate. It turns out that the first 5-8 years single workers live in dormitories and in the distribution of housing they more often than others turn out to be in communal apartments.

## Consumer Goods

In the survey, differences in the basic component of material well-being--in property provision, were revealed. It is assessed on the basis of four indicators.

To the first belong the direct means of the technicalization of everyday life--refrigerator, washing machine, vacuum cleaner, sewing (knitting) machine. In terms of the saturation of the families with these means, all groups of city-dwellers are approximately equal.

To the second category belong the means promoting the mobility of the population and the enrichment of the sphere of rest, leisure, and diversions--automobiles, motor scooters, motorcycles, tourist equipment, dacha or garden plot. Teachers and engineers have more automobiles, dachas and garden plots. Among the workers the percentage of those who have tourist equipment is high.

The third type of indicator includes objects which secure in any event the cultural activity of people: Television and radio equipment, musical instruments, books, cinecamera equipment, etc. All groups of the families surveyed are supplied with these objects, with some predominance in them among teachers and engineers.

Household goods (furniture, carpets, crystal, china, etc.) is the fourth type of indicator of property provision. It should be noted that a significant part of household property of the group of teachers surveyed was obtained by the parents.

Frequently such objects as sets of furniture, carpets, vacuum cleaners, washing machines, etc. are inherited. The list of these things includes libraries, typewriters, and cinecamera equipment.

In terms of property provision, engineers are similar to teachers.

But the group of workers in the service sphere is less stable in this respect and less homogeneous. It inherits fewer things. A high level of consumption has not yet developed here. In this group of city-dwellers one frequently observes a "distortion" in the direction of the acquisition of expensive [denezhnoyemkiye] and prestige items.

The group of workers' families surveyed acquire their things, as a rule, independently, without help from parents. Their property provision depends to a large extent on current money receipts and is created more slowly.

#### Conclusions

First of all, the material and consumer situation of the various groups of city-dwellers is not so much determined by the size of wages and average per capita income as by such factors as total income of the family, its composition, and the amount and quality of accumulated and inherited property. Secondly, an appreciable influence on the difference in material well-being is exerted by the unequal level of general culture, and in particular the standard of consumption.

However, it should be emphasized that a smoothing out of these differences is taking place at the present time. A program of mandatory secondary education is being realized which noticeably smoothes out the cultural level of the various social groups. The housing conditions are improving, the supply of material goods is increasing, and the retirement system is being perfected. This process will continue also in the years ahead.

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## ANALYSIS OF GROWTH IN CONSUMER GOODS, SERVICES SECTORS

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[Article by O.P. Sayenko: "Developing Popular Consumption"; numbers in brackets refer to bibliography]

[Text] This article examines theoretical-methodological questions of the formation of the socialist model of consumption proceeding from the decisions of the 27th CPSU Congress. It examines practical questions of the realization of socialist consumption connected with developing the spheres of production, distribution and exchange. And it analyzes future directions of the development of consumption with respect to the most important complexes of goods.

The policy for accelerating socio-economic development approved by the 27th CPSU Congress envisages unswerving improvement of all aspects of the lives of the Soviet people.

The new edition of the CPSU Program outlines the task for "raising the welfare of the Soviet people to a qualitatively new level; providing the level and structure of consumption of material, social and cultural goods which corresponds to the maximum with the goal of forming harmoniously-developed and spiritually-enriched individuals..."

On the basis of successes in economic and social development in recent decades the level of popular wellbeing and social homogeneity achieved in the USSR is quite high.

During the years 1971-1984 alone real per-capita income increased by a factor of 1.6. Average monthly wages for workers and employees grew from 122 to 185 rubles, and the income of kolkhoz members from cooperative farming, from 75 to 148 rubles; during the same period, disbursements for pensions, subsidies and stipends increased from 23.6 to 59.1 billion rubles. As a result, the effective demand of the populace has developed dynamically, and its structure is continuously improving.

In consideration of these facts, a powerful industrial base for foodstuffs and consumer goods has been developed in the country; housing construction, trade and the services sphere have been developed as well. In 1984 gross

production volume in agriculture exceeded the 1970 level by a factor of 1.25; output of goods by light industry, by 1.6; and articles for cultural-domestic and household purposes, by 2.9; at the same time the quality of the goods was improved. In 1984 the cumulative volume of retail goods turnover in state and cooperative trade and paid services rendered to the populace exceeded the 1970 level more than twofold. And progressive forms of sale of goods and services to the populace were introduced.

The problem of ensuring the energy value of foodstuffs was solved long ago in the USSR; presently it even exceeds somewhat the rational level--that is, 3,000 kilocalories per person per day. The proportion of the most valuable food products has been increased in the makeup of the diet--meat, fish and dairy products, vegetables and fruits.

There has been a significant increase in providing wardrobe articles to the families. At the disposal of the average family are approximately 65-70 pieces of outer garments and 18-20 pairs of shoes.

The process of furnishing families with their initial durable goods items has been basically completed (70-95 percent of the families have TV's, radios, refrigerators, and washing machines). One family in seven has its own private automobile, and the process of growth in providing them is continuing.

As a result, the possessions of the average family according to the full initial price--that is, in terms of the basic cost of acquisition--are valued, in the aggregate of major and minor items which operate for more than one year, at 7,500 rubles.

Henceforth there are many problems in satisfying popular demand: having such a material base, a family presents increased demands on the assortment and range of articles offered.

During the past three five-year plans housing has been conducted with an overall area of 1.6 trillion square meters, and the quality and comfort of apartments have increased. At the present time more than 80 percent of city and practically all rural residents have their own apartments or individual houses. The new edition of the CPSU Program sets the task of offering individual housing to practically all Soviet families in the next 15 years [2, p 40]. At the present time the overall area of the average city apartment amounts to about 45 square meters. The proportion of expenditures for its rent in the aggregate budget of families of workers and employees amounts to less than 3.0 percent--the very lowest indicator in the world. Thus, the problems of quality and comfort become most important, and a great deal is being done to solve them: each newly-assimilated series of houses and apartments is more spacious, more comfortable, and better fitted-out than the preceding; and electricity, gas, water and the like are coming to more and more villages and settlements.

It has not been so long ago that the only items of expenditures for services were payment for housing and municipal services; transportation, mail and telegraph communications; children's preschool institutions, and going to

the movies. As living conditions improve, the functions of the services sphere are expanding and the quality of service is improving. Thus, at the present time domestic services carry out such kinds of work as laundry, repair and cleaning of apartments, and other things which make housework much easier. Quite a few articles which are used in everyday life have become so complicated that it has become difficult and in some cases impossible to tune-up or repair them in domestic conditions--hence the demand for the corresponding services. By 1990, in accordance with the Complex Program for Developing Production of Consumer Goods and the Services Sphere, it is planned to speed up developing services for repair and servicing of household machines, instruments and other household articles, which will reduce the amount of work done in the household. Improving and alleviating living conditions urgently raises the question of the rational use of the time thereby made available, so that it can be spent to the enrichment of man himself. Thus, developing the consumption of goods and one part of services--material-domestic services--requires mandatory development of another--the socio-cultural part, and the goods appropriate to it (printed publications; TV and radio equipment; and articles for sports and leisure).

At the present time the average family pays about 400 rubles a year for all kinds of services, and for acquiring goods--about 3,500 rubles; that is, at a ratio of 1:9. The overall law-governed nature of the development of popular consumption lies in the fact that as a family's wellbeing increases, that proportion of the family budget which goes for services should also increase. But in the USSR, after a lengthy period of growth the proportion for services has begun to stabilize and at the beginning of the 1980s it actually began to decline [5, p 16]. This process has an objective basis: two-thirds of all services are offered to the populace without charge (education, health care, and a portion of the services of cultural establishments) or are offered under privileged conditions (housing). Nevertheless, more careful analysis indicated that the possibilities for offering more extensive services to the populace are far from exhausted. There is also a real demand among the populace for paid services; moreover, not in exchange for but in addition to the services offered without charge. For example, part of the populace desires to pay and does indeed pay on a private basis owners of houses in resort zones for leisure services, not wishing to wait in line to receive free or privileged trips; others pay for training courses to learn a certain kind of handiwork, or to learn a foreign language or to play a musical instrument; a third portion pays for additional consultations with a physician, and so on.

In accordance with the Complex Program for Developing Production of Consumer Goods and the Services Sphere, a generalizing indicator has been introduced for the first time to the 12th Five Year Plan--sales volume for paid services to the populace.

There has been significant convergence and in a number of cases even equality in the indicators for the welfare of workers, employees and kolkhoz members, of city and country dwellers. The proportion of families which has the most control over its income (those with 100 rubles per family member

per month, and above) has increased from 4.0 percent in 1965 to 60 percent at the present time. At the same time thanks to centralized measures there has been a sharp drop in the proportion of families having an income of less than 50 rubles per family member per month. The educational and cultural level of the Soviet people has grown, and their interests have expanded.

As a result the contemporary level of well-being of the Soviet people is characterized by the achievement of a state of stable material sufficiency, strengthened by a process of transition from satisfaction of elementary needs to the satisfaction of more varied and dynamically-developing needs, which are taking place at least for the time being against a background of shortages, an inadequate assortment, and poor quality of certain goods.

The systems for planning, organization of production of goods, trade and the sphere of services to the populace were not prepared to respond on a timely basis nor to a sufficient degree to the changed social situation; the style and method of work in this sphere, which had evolved under conditions of global insufficiency of goods and services, were slow to change. The situation in the sphere of satisfying the effective demand of the populace was complicated by the lack of proper control over the realization of the planned proportions between the growth of the monetary income of the populace and the goods and paid services offered--which to a significant extent was due to the lack of development of the distributive relationships of elements of the imbalance in supply and demand, as well as the processes of redistribution of income among the populace (speculation, privately rendering services, and so on). Thus, during the years of the 9th Five Year Plan output of consumer goods increased by 36.7 percent, and the monetary income of the populace, by 39.2 percent; during the years of the 10th Five Year Plan, the corresponding figures were 20.5 and 27.4 percent; and for the two years of the 11th, they were 6.5 and 9.0 percent [5, p 14].

In recent years a decisive turning point has been reached in overcoming these trends. For example, in the plans for 1983, 1984 and 1985 the growth of demand for goods and domestic services was significantly greater than the increase in the monetary income of the populace. Many individual questions connected with the growth of production of consumer goods and the development of the services sphere were solved in five-year and annual plans, and in special decrees. However at the present time it has become necessary to examine them in aggregate with an eye to the distant future. In this connection the "Basic Directions for Economic and Social Development for the Years 1986-1990 and for the Period up to the Year 2000" includes as an integral part the Complex Program for Developing Production of Consumer Goods and the Services Sphere for the Years 1986-2000 (KPTU). As does the Food Program, which is already at the stage of realization, the KPTU has been enlisted to ensure that the second (and larger) part of the budget of Soviet families is met.

It has been planned to increase the volume of production of non-food goods and paid services offered to the populace in the 12th Five Year Plan and for the period up to the year 2000, respectively, by factors of 1.3 and 1.8-1.9; 1.3-1.4 and 2.1-2.3 [4, pp 14, 21]. It is planned to focus primary attention on solving the problems of expanding the assortment of goods and services, and on fundamental improvements in the quality of articles and services.

Active improvements are being made in the system of planning, control and economic incentives in the production, trade and the services sphere, directed toward more fully satisfying popular demand. The realization of these measures will be the practical embodiment of the policy of the CPSU for the all-round improvement of the national welfare with respect to the new stage of socialist construction.

The level of consumption achieved and the problems associated with it, as well as the scale of the coming changes in this sphere set before social science the task of defining a truly socialistic model for consumption and the conditions for its realization, in order to "promote an increase in the standard of consumption and the formulation of reasonable demands which correspond to the socialist way of life and the harmonious development of the individual, and to the elevation of the spiritual needs of man" [3, pp 11-12].

The basic conditions for realization of this task proceed from the strategic directions of the economic and social development of the USSR in the future, in which the party is oriented on achieving a qualitatively new state of society. In the area of economics this is, as is well known, the highest world level of productivity of social labor, significantly increasing the effectiveness of the national economy, and a decisive turn toward intensification of all its branches on the basis of introducing the latest equipment and technology to production. In the area of social policy the most important factors are the undeviating improvement of living and working conditions, more complete realization of the principles of social justice, and the convergence of the classes, social groups and strata [2, pp 26-37].

It has been deemed necessary to strengthen the influence of social factors on the development of the economy. In this connection the question is posed of increasing the interests of the workers and the collectives in the results of their labor, improving the system of material and moral incentives, increasingly monitoring the measure of labor and the measure of consumption, and developing distributive relationships in general [2, p 33].

In this plan, future characteristics of consumption at a qualitatively new stage of development of a socialist society must not be limited solely to the sphere of consumption itself (the needs of the populace, and the means and achieved level of their satisfaction), and must include a description of the closely-associated processes in the sphere of production, distribution, and exchange, in changing the way of life of the populace.

In the future socialist consumption must create conditions for the most complete physical, cultural spiritual and social development of the individual; it must be oriented toward the potential (intensive but real) capabilities of the economy in this period; and it must be implemented as and by means of distributive forms which guarantee solution of the root economic and social problems.

In our opinion the basic features of such consumption are:

maintaining a stable state of balance of supply and demand on the basis of improving the planning and organization of goods production and developing the services sphere, and all systems of distributive relationships which guarantee increasingly strong interaction between the measure of labor and the measure of consumption;

combining the socially organized and the family forms of consumption, with the predominance of the basic portion of material benefits for the family form of consumption; that is, implementing it within the framework of the primary consumption unit (the family) and by virtue of the family budget. Improving the organization of joint consumption on the basis of consistent realization of the principles of social justice deserves special attention. Cooperative forms of property (houses, dachas, garages and so on) must also be developed;

optimal combination of the consumption of material goods and services, bearing in mind their necessary complements and interactions (an automobile--and service and repairs; leisure--and sporting goods; and so on);

accounting for the needs and interests of the populace of various sexes and ages; persons engaged in various types of professional and amateur activities; and, for the needs of the residents of different regions, the city and the country when formulating production programs;

ensuring the principled access to different kinds of goods and services for all social groups of the populace by virtue of expanding the priced assortment of identical goods and improving the form of sales;

extensive introduction of the achievements of scientific-technical progress in the sphere of consumption of goods, changing profoundly their characteristics and methods of use--and consequently, also the basic characteristics of the vital activities of the populace; and ensuring a high degree of reliability, quality and economy for the articles;

accelerated development of consumption of goods which provide for increasing the intellect, expanding the possibilities for learning about the surrounding world, and strengthening one's physical and spiritual health;

and, consistently overcoming irrational and socially-unpromising kinds of consumption; reducing and eliminating the negative effects on the environment of certain forms of consumption.

Also deserving special attention is the question of possible differences between the types of consumption in certain countries and above all between the USSR and the economically-developed capitalist countries.

There are general regularities in changes in consumption connected with the growth of the economic potential, and with the influence on all spheres of life of the achievements of scientific-technical progress. Foreign trade

and other forms of international economic cooperation have great influence on this process.<sup>1</sup> They permit varying the assortment of goods on the country's market and receiving a significant economic effect.

Indisputable differences remain in the level and types of consumption of the populace of certain countries.

Part of these differences are determined by the peculiarities of the natural-climatic conditions, demography, national and historical traditions.

Others are determined by the overall differences in the level of economic development of the countries; by the degree to which they are provided with their own natural resources or are integrated in this sphere with other countries (The USSR possesses favorable conditions for satisfaction of all the basic needs of the populace in the most varied forms); and by differences in the level of introduction of modern technological processes to the sphere of production and sales of goods and services. For objective reasons for a long time the USSR paid primary attention to the level of technological development of Group A industrial branches, and a lesser amount to the branches producing consumer goods and the services sphere. The USSR is faced with the task of achieving, on the basis of accelerating the rates of development, the world level of assimilation of the technology of producing goods for the populace and providing quality service.

And still another part will be determined by factors of the socio-political order.

We must remove from the structure of consumption characteristic at the present time of the West, those elements which are not characteristic of socialism as a social system. These are those elements of super and prestigious consumption, which are the result from excessive accumulation of wealth among the exploiting classes, as well as those forms of consumption which are perverted or dangerous for society and the citizens, which have become widespread in the West. Extravagant forms of consumption are alien to socialism (for example, changing automobile models every year, and so on), which are foisted on the populace of capitalistic countries with the aid of advertising and the mass information media, based on the interests of the manufacturing and trade firms.

At the same time one should bear in mind that even if one does not take into account the owners of capitalist enterprises themselves, the decile coefficient of differentiation of the incomes of workers and "employees" in such a capitalist country as the USA would according to our analysis be four times higher than, for instance, in the USSR (In the West, "employees" include managers [menedzhery]--highly-paid personnel who take part in directing capitalist production and who thus receive a portion of the surplus value). These population groups in capitalist countries acquire novelties first, when their production costs are still high; later on they are distributed for mass consumption.

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<sup>1</sup> There are also other forms of influence on the type of consumption from one country to another. They are realized along the lines of foreign tourism and business trips; movies, TV and the press.

With a significantly lower level of income differentiation in the USSR the process of introducing progressive innovations requires a special approach. A study must be made of which social and income group will be the primary consumer of the innovation in the USSR, what will be the bottom limit of the price for it for the first lot, and how should it be changed in accordance with expansion of production. In certain cases in order to stimulate the introduction of goods which are especially promising for society, it may also lead toward offering temporary privileges and subsidies.

From the examination of this problem one can come to the following conclusions: on the way to increasing the economic potential and placing labor productivity in the USSR on a par with the world, certain basic stages of consumption growth will be passed, characteristic of countries which are more developed economically--taking into consideration the objective differences brought about basically by the action of factors of the first and third groupings.

Against a background of international comparisons it is precisely from the position of the latter group of factors that one can and must speak of the differences of the future socialist type of consumption from the capitalist.

The most important feature of the socialist type of consumption is the principled possibility and necessity of its formation, which is based on the goals and interests of the entire society. Socialism is in a position to determine the long-term orientation of the development of consumption (in the form of the so-called normatives of rational consumption and rational consumer budgets); and to plan in the appropriate manner for the development of production (ensuring at the same time sufficient flexibility in the current satisfaction of popular demand), and using the levers of economic and extra-economic influence on consumption for rationalizing popular consumption. The economic levers are--the policy of production and assortment, retail prices and consumer credit; and the extra-economic--advertising, propaganda, and education (In certain conditions, with respect to socially-harmful consumption--alcohol, for example--administrative measures are possible as well).

The consistent nature of development of consumption under socialism in principle permits achieving high end results by a more effective and economical method, with a conscious evaluation of the social, ecological, and other consequences of development of one or another of its forms; and, it brings about the necessity for utilizing a normative approach to its future planning. The essence of this approach, as opposed to the "behavioral" (or genetic, descriptive, etc.), which is based merely on the fixation and transference to the future of the trends which have evolved, consists in setting up scientifically-based special-purpose reference points. However, at the same time the normative approach also implies mandatory study of social phenomena: their genesis in different socio-economic conditions and in different countries and regions, and the definition of the most important regularities and stages of their changes. Thus, it does not contradict the "behavioral" approach, but envisages wider

use of the methods characteristic to it, with a mandatory qualitative analysis of the results achieved. Without knowledge of the regularities of the development of consumption one cannot formulate a goal for developing them in the future; moreover, the intentions of the consumers are important and it is important to study and to know them in order to estimate the volume and the composition of the effective demand of the populace.<sup>7</sup>

In planning practice the form of expression of the actual social needs on which to base future volumes of development of the production of different kinds of goods and the trade turnover are the so-called rational (for food products they are still called physiological) norms (normatives) of consumption (material maintenance).

At the present time, dozens of organizations have been enlisted to work on defining these normatives.

The people's needs are multifaceted, and the forms of satisfying them are more numerous still. According to the analyses of specialists, at the present time the populace is offered nearly one million kinds of consumer goods. Obviously not all of them can and should be "normalized."

In constructing a system of rational normatives, first of all it is necessary to define the relatively independent types of vital activities which exist, in accordance with which the complexes of consumer goods are allocated. These comprise goods of an imminent functional purpose, intended to satisfy a definite kind of need (food, housing and furnishings, clothing and shoes, and so on). Basic kinds of goods must be allocated for these complexes to satisfy the most important part of the given need, along with accessory goods which are functionally dependent on the level of development of the former. It is precisely in terms of the basic goods that the rational normatives must be worked out and confirmed.

In recent five-year plans a process of explosive expansion of the number of "normalized" goods took place. In 15 years their numbers increased more than sixfold, and on the whole the period of their extensive growth has ended. But in certain cases, upon request of practical workers, normatives are being worked out and confirmed for positions which are somewhat secondary from the long-term point of view, although the needs are "acute" at the present time. Of the major consumer blocks until recently only a second (country) home remained forgotten, along with the goods it requires. The normative for providing it to the populace was first worked out at NIEI [Economic Scientific Research Institute at Gosplan USSR] in 1984 and was utilized for analyzing the prospects for the distribution of garden plots.

In other cases as a rule it should not be a question of increasing the numbers of positions, but of increasing the reliability of the estimates of the normatives.

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<sup>7</sup>These questions are examined in more detail in [6].

One of the conditions for ensuring such reliability is making the mean all-union indicators more precise by thoroughly studying them with respect to the population groups which are typical and stable in manifesting their consumption. We are talking about the residents of different regions, the urban and rural populace, and persons of different genders and age. This will also serve as a basis for bringing out the objectively conditioned differences in consumption of different groups of the populace, connected for the most part with the effects of demographic and natural-climatic factors, as well as national peculiarities.

In utilizing similar socio-economic reference points one should take into consideration their relative nature, which at a given moment is limited by the amount of current knowledge of changes in the processes in the future. Hence it follows that these indicators should be redefined (every 5 years). At the same time, with respect to cultural, spiritual and intellectual needs and the means for satisfying them, one may speak of unlimited development.

The methods of determining needs must be continually improved.

In case it is impossible to derive the normative indicators for all goods for the planning period one should establish the stages and sequence of achieving them depending upon the significance of the article (the urgency of the need), and not strive to reduce the level of the normatives themselves as has happened in practice.

The degree of satisfaction of individual needs (the relationship of the level of consumption achieved to the normative) and the degree of their urgency in isolation should determine the scale of distribution of public resources for the corresponding purposes. Whereas the level of the needs itself characterizes a certain goal in the area of developing consumption, and the achieved level of their satisfaction the approximate distance to this goal, the urgency of satisfying them reflects the necessary relative speed of movement toward it. The unconditional effect of the use of rational normatives in practice, achieved after a long interval of time, hardly eases the task of the planning organs, industrial and trade enterprises in satisfying current effective popular demand; inasmuch as we must not only study and satisfy the demand which has actually taken shape--based on local criteria for evaluating their activity--we must also consistently rationalize and improve it on the basis of long-term goals and universal criteria. These tasks are dialectically opposed, but are solvable on the basis of creating and continually improving the mechanism of control of this complex sphere of economics, which in the part of the behavior of the populace does not yield to directive planning, but only to indirect regulation.

The realization of rational needs in the future will be accomplished under conditions of the existence of commodity-monetary relationships as the main form of distribution of the public wealth and the above-mentioned changes of accent in the entire distribution system associated with the transition of the economy to the intensive path of development. In this connection, the factors associated with ensuring the sales of the mass of goods produced and delivering them to the consumers become more important.

The Basic Directions for the Economic and Social Development of the USSR are oriented toward satisfying the effective demand of the populace for basic goods in the 12th Five Year Plan; and for the period up to the year 2000--toward ensuring satisfaction of its most important needs [3, pp 11, 21]. One important task in this connection is ensuring fundamental improvement in trade services [4, p 18]. At the present time up to 70 percent of the time spent by the populace for purchases goes for looking for the goods and standing in lines [7, pp 101-102]. And here it is not simply a matter of shortages of one kind of goods or another, but in the backwardness in a number of cases of the material-technical base of trade (retail, and especially the wholesale link), and in the inefficient system of its organization and management. In recent years experience has shown that as soon as the shortages of certain goods are overcome, they begin to pile up in abnormal amounts--which is to a certain extent a consequence of the inability to advertise the goods in the proper manner; to prepare technically-complex articles for sale; and to handle trade resources in a flexible manner. Timely concern must also be given to supplying trade with modern electronic means and lines of communications for the assembly, processing and transmission of information about popular demand and the availability of commodity resources. A nationwide system for studying and formulating the needs and the demand of the populace, which is presently being developed, will make an important contribution toward solving this problem. In particular, the industrial ministries should have greater responsibility for determining the demand for new kinds of goods; and the trade organizations should be given more responsibility for determining demand for the traditional goods assortment.

The system of wholesale and retail commodity prices requires improvement. The ever-increasing subsidies for meat and dairy products stand in contrast with the approximately equivalent turnover tax on articles from light industry and goods for cultural-domestic purposes. Such a correlation of prices for goods--which had at one time the purpose of creating conditions for satisfying the vital needs of that portion of the populace which was not well-off--no longer plays its previous role, in the light of the aforementioned qualitative changes in the level of the national welfare. As analysis shows, the greater portion of the subsidies for food products goes to the relatively well-off portions of the populace. But the turnover tax on a number of non-food items, especially cultural-domestic articles, makes it more difficult to acquire them, thereby slowing down the process of rationalization of public demand [8, pp 43-47]. As noted in [2, p 65], the system of state retail prices and charges must more fully reflect the socially-necessary labor expenditures, the quality and the characteristic properties of goods and services; and they must ensure that the correlation of prices for various groups of goods are economically and socially justified.

At the same time measures must be taken in the area of perfecting planning and management which guarantee to the populace a wide range of choices for similar consumer goods, both in terms of price and assortment. Here the strategic direction must be worked out by the leading ministries in their five-year and annual plans in terms of their conceptions for production of a range of goods, and these plans must be coordinated with the USSR Ministry of Trade. In the near future, the actual price range of goods can be

expanded by means of setting aside for the enterprises a portion of the same kinds of products manufactured according to one price range or another (low, medium or high), or even by specialization in goods within a specific price-range. The sale of high-quality goods, the mass production of which is impossible or difficult for the time being, should be accomplished freely according to prices which provide a state of balance in supply and demand, at specialized stores such as "Delikates," "Moda," or "Lyuks" (as, for example, things are organized in the GDR and other socialist countries).

We shall briefly dwell on the most important qualitative aspects of developing public consumption in certain complexes in the future.

The basic reference points for developing production of food products for the period up to the year 1990 were defined in the USSR Food Program. Their achievement will provide a state of balance in foodstuffs according to the basic elements. In the ensuing period the recommended correlations must be achieved between animal and plant-derived proteins, and in the level of consumption of vitamins and trace elements.

The quality of foodstuffs and the variety of their assortment must be significantly increased in consideration of the needs of persons of various ages and kinds of employment, and of the populations in different regions.

Fundamental improvements should be made in weighing-out and packaging, wrapping, and marking of foodstuffs; the proportion of small-lot articles should be increased; packaging materials should be introduced which increase the shelf-life of the foodstuffs; and data should be included on the packages to indicate the nutrition values.

It is important to radically improve the state of preparation of food products, in order to genuinely reduce the amount of time for preparation in domestic conditions. This can be provided along the lines of increasing the output of various concentrates and semi-finished products, quick-frozen and steamed dishes, and so on.

In parallel with the work on increasing the useful life of food products in accordance with rational norms, a program must be commenced in the near future to educate the populace on hygiene and standards of nourishment. Only in this manner will the gigantic nationwide effort and the recommendations of science to solve the food problem have the necessary effect. A special place in this program should be given to public catering at the factory, at schools, at vacation spots, at children's pre-school institutions and at health-care organizations. Organization of catering in these establishments in accordance with the specific needs of males and females in different age groups and according to their type of employment must be combined with the spread of knowledge on proper nourishment. The press and television can play an important role in providing information on standards of nourishment.

In the area of satisfying the demand for wearing apparel the principal direction lies in establishing genuine control over the development of popular fashions on the basis of assimilating modern technologies designed

for rapid changes of models of clothing and shoes, and on increasing the quality of the raw materials (to include making synthetic materials more like their natural analog), decorations and accessory materials. Modelers and designers must have an increased role in the processes of designing, creating new technologies, and organizing the manufacturing of products. For a great many minor enterprises the problem of improving the quality and the outward appearance of articles and ensuring that they meet the demands of fashion should be resolved with the assistance of the major industrial enterprises and fashion houses on the basis of contracted agreements.

The manufacture of clothing for certain population groups (children, young people, the elderly, invalids, and so on) deserves special attention. The degrees of functionality, comfort and quality of work clothes must be increased (having in mind not only the coveralls issued by the enterprises), and especially for rural residents.

Demand for clothing for walking, relaxation, physical culture and sports will grow at an outstripping rate. Obviously there should be two directions here--mass (for general physical activities), and special (to satisfy the demand for special kinds of clothing and shoes for different kinds of physical culture and sports. The latter should have a more substantial design and technological base, in order to ensure that their quality meets modern standards for everyone that desires them. This applies equally to other kinds of goods for sports, recreation and tourism.

Electrification and automation of housework must become more widespread. At the same time the proposed kinds of household appliances must correspond to various kinds of housing (a separate house, or the type of apartment) and the extent to which they are equipped with electrical outlets, plumbing and municipal conveniences. The most important direction is further development of refrigerators and freezers (in terms of convenience, and the period of preservation ), the introduction of microwave ovens and automatic clothes washers; the spread of modern air conditioning and heating devices; electronic controls for mechanical household appliances, and others.

Special attention must be paid to the economy of operation of these devices, and to safety in their use.

Production of goods for cultural purposes should be given priority development, since they provide the satisfaction of man's highest needs.

First priority should be given to goods which provide information and which socialize the achievements of culture and art (an arbitrary division). This includes modern television (including its most progressive variety--cable TV); home computers, with the possibility of hooking up to regional and nationwide information systems; and so on. Along with the development of traditional means of disseminating and storing information with the aid of printed materials, the more economical microfilm method should also be introduced. Such goods also include all sorts of advanced sound and video recording and reproducing equipment.

The same approach should be taken to mass production of this group of goods as is taken to production of the necessities of life. Even at the stage of design operations conditions should be provided for their maximum accessibility for mass consumption, and especially for the young people. In a number of cases in order to stimulate introduction to everyday life of innovative goods which are still quite expensive, temporary subsidies could be offered. It is especially important to study the needs of special groups of consumers who present special demands for similar articles (amateurs, collectors, professionals, and the like).

Production of all kinds of technically complex goods should gradually become more specialized in order to provide the necessary technical and aesthetic level, reliability, and so on. Parallel repair and servicing facilities should be provided at the same time, and proportional production of spare parts should be planned, as well as accompanying and accessory goods.

A large number of minor enterprises, shops and sections should be oriented basically toward the complex of goods such as "a thousand trifles," primarily to satisfy the needs of the local populace; and also toward production of assembled parts and components for complex household appliances.

It is especially important to dwell on the spread of motor vehicles and a second (rural) home. It appears to us that until recently no clear-cut long-term policy had been worked out on these questions, although these two spheres of consumption have already been developed to a certain extent and do have an influence on the standard and way of living of millions of families in the USSR.

Owning a motor vehicle and a second home are among the most important elements of a person's lifestyle, the importance of which increases in proportion to the overall increase in the well-being of the populace, increasing labor-intensiveness, and the growth of urbanization of life.

In addition these two elements of consumption represent new and tangibly high degrees of development of the standard of living for certain families and are an important incentive to increasing one's income and at the same time are a major channel for their one-time and ensuing expenditures.

The development of owning an automobile and a second home truly promote spending one's time in a more purposeful manner.

In our country (as in other socialist countries) the automobile is not an alternative to the development of public transportation, but its logical extension, which provides for greater mobility, comfort for family travels, for visiting their second home, for trips and relaxation. Acquiring an automobile is especially urgent for rural inhabitants, and promotes erasing the differences between the city and the country.

In order to achieve a rational level of automobile ownership, their production and delivery to the domestic market must be further increased--by means of, for one thing, radically increasing the proportion of economical, inexpensive cars like the Oka. This will make it potentially accessible to every family--as the result of its honest labor, and as a new level of its well-being and interests.

Calculations show that without an automobile, prospective annual expenditures for nonfood articles (including expenditures for everyday services) would be about 1.5 times lower than in families which have an automobile.

We reiterate that while an automobile is a means of heightening the interest of the people in increasing their income and is a major channel for expenditures, certain aspects of the spread of automobiles are, of course, controversial (control of road traffic and parking places; production of spare parts; service and repairs; reducing air pollution; and so on); but unlike other costly goods (furniture, carpets, porcelain and items of jewelry), the automobile indisputably has its positive social effects.

A second (country) home fulfills a great many important functions for the city dweller; specifically, it provides: seasonal reduction of the shortage of basic housing in the cities; satisfaction of objective needs in the change of circumstances associated with intensification of human activity in the spheres of production, education, social and spiritual life; and satisfaction of the need for relaxation. It is especially applicable to such "difficult" contingents for a socially-organized system as families with small children and the elderly. Other functions a second home provides are: satisfying the need for hobby activities in one's spare time (working on the land, building and fitting out the second home); supplementing, as a rule, the monotonous motor functions associated with one's basic employment; a sphere of application of activities for retired people; it teaches good work habits to the younger generation; and so on.

At the present time 20 million people work and relax after normal duty hours in their orchard or garden plots [1, p 23].

The spread of second homes also promotes the solution of purely economic problems facing the country: city dwellers which engage in one form or another of private subsidiary farming provide for themselves a significant amount of the potatoes, vegetables and fruits, and products processed from them (pickles and stewed fruits); a major channel arises for the populace to spend its resources on (building materials and ready-made houses, goods for cultural-domestic and household purposes, and paid services).

The cost of materials for a single small garden house is estimated at 2-3,000 rubles. In addition, still other materials are required for repair of existing houses and for putting up other structures on the grounds. An estimated 2,500 rubles per garden house and plot will subsequently be needed for acquiring the various cultural-domestic goods which go along with building a second home.

Taking into consideration the importance and the promising nature of developing orchard and garden plots, the decision was made to annually allocate to the citizens 1-1.2 million plots [1, p 23].

Such are the basic principles and directions for formation of the socialist model of consumption, which proceed from the program materials of the 27th CPSU Congress. Their realization will permit more fully satisfying the various needs of the people at a qualitatively higher level which is appropriate to the contemporary capabilities of production and the tasks of further improving the socialist way of life.

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